BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE REGULAR MEETING

Thursday, April 27, 2023
10:00 AM

2180 Milvia Street, 6th Floor - Redwood Room

Committee Members:

Mayor Jesse Arreguin, Councilmembers Rashi Kesarwani and Kate Harrison
Alternate: Councilmember Sophie Hahn

This meeting will be conducted in a hybrid model with both in-person attendance and virtual participation. For in-person attendees, face coverings or masks that cover both the nose and the mouth are encouraged. If you are feeling sick, please do not attend the meeting in person.

Remote participation by the public is available through Zoom. To access the meeting remotely using the internet: Join from a PC, Mac, iPad, iPhone, or Android device: Use URL - https://cityofberkeley-info.zoomgov.com/j/1613406627. If you do not wish for your name to appear on the screen, then use the drop down menu and click on "rename" to rename yourself to be anonymous. To request to speak, use the “raise hand” icon on the screen. To join by phone: Dial **1-669-254-5252 or 1-833-568-8864 (Toll Free)** and Enter Meeting ID: **161 340 6627.** If you wish to comment during the public comment portion of the agenda, press *9 and wait to be recognized by the Chair.

To submit a written communication for the Committee’s consideration and inclusion in the public record, email policycommittee@cityofberkeley.info.

Written communications submitted by mail or e-mail to the Budget & Finance Committee by 5:00 p.m. the Friday before the Committee meeting will be distributed to the members of the Committee in advance of the meeting and retained as part of the official record.

AGENDA

Roll Call

Public Comment on Non-Agenda Matters

Committee Action Items

The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker.

Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.

1. Fire Department Vacancy and Overtime
From: City Manager
Recommendation: Receive a presentation on Fire Department vacancy and overtime and provide direction.
Financial Implications: See report
Contact: David Sprague, Fire, (510) 981-3473

2. Health, Housing, and Community Services (HHCS) Staffing Proposal
From: City Manager
Recommendation: Receive a presentation on a proposed HHSC staffing reorganization and provide direction.
Financial Implications: See report
Contact: Lisa Warhuus, Health, Housing, and Community Services, (510) 981-5400

3. Measure P FY 24 Mid-Biennial Update
From: City Manager
Recommendation: Receive a presentation on recommended changes to the Measure P program budget for FY 2024 and provide direction.
Financial Implications: See report
Contact: Peter Radu, City Manager's Office, (510) 981-7000

4. FY 2024 Mid-Biennial Budget Update
From: City Manager
Recommendation: Receive a presentation on the FY 2024 Mid-Biennial Budget Update and provide direction.
Financial Implications: See report
Contact: Sharon Friedrichsen, Budget Manager, (510) 981-7000

Committee Action Items

5. Accept the Risk Analysis for Long-Term Debt (Bonding Capacity) Report provided by Government Finance Officers Association
From: City Manager
Referred: April 26, 2022
Due: May 31, 2023
Recommendation: Accept the report titled 'Risk-Based Analysis and Stress Test of Long-Term Debt Affordability' as provided by the Government Finance Officers Association (GFOA). This report is based on their research and development of a risk-modeling tool to address issuing long-term debt related to City of Berkeley Vision 2050.
On April 26, 2022, the City Council referred this item to the City Manager and Budget & Finance Committee to return to Council with recommendations or analysis on as many of the following items as possible by October 2022, if feasible. 1) Consideration of reserves policies for operational funds other than the General Fund; 2) Potential reduction of the maximum indebtedness rate from 15% of assessed property value down to 4-8% range; 3) A new policy to not incur indebtedness when interest rates go above 5% or a different specific threshold; 4) Tools for increased transparency for taxpayers; 5) Updated report and discussion of pension and healthcare costs; 6) Refer the full Report to the Budget & Finance Committee for consideration.
Financial Implications: None
Contact: Henry Oyekanmi, Finance, (510) 981-7300

Unscheduled Items

These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.

6. Additional Allocation of Measure P Funding to "Step Up Housing" Project
From: Councilmember Bartlett (Author), Councilmember Wengraf (Co-Sponsor), Councilmember Kesarwani (Co-Sponsor)
Referred: August 3, 2022
Due: May 31, 2023
Recommendation: Adopt a resolution allocating an additional $114,660 per year for 10 years, from Measure P transfer tax receipts to support the increased costs for the lease and operation of a new permanent supportive housing project for the unhoused at the Step-Up Housing Project at 1367 University Avenue. In addition, refer to the next meeting of the Budget and Finance Policy Committee to confirm the availability of requested funding.
On August 3, 2022, the City Council adopted Resolution No. 70,491-N.S. as amended and referred to the Budget & Finance Committee to consider future General Fund needs for this project and confirm availability of funds for the operating budget.
Financial Implications: See report
Contact: Ben Bartlett, Councilmember, District 3, (510) 981-7130

Unscheduled Items

7a. Recommendation for RV Lot and Waste Management on Streets for RVs
From: Homeless Services Panel of Experts
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: The Homeless Services Panel of Experts recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.
Financial Implications: See report
Contact: Josh Jacobs, Commission Secretary, (510) 981-5400

7b. Companion Report to Recommendation for RV Lot and Waste Management on Streets for RVs
From: City Manager
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: Refer the Homeless Services Panel of Experts' recommendation to identify and expedite a new safe RV parking location/program and develop a waste management plan for RVs on the streets to the Budget and Finance Policy Committee for consideration alongside all other homeless services priorities in the budget process.
Financial Implications: See report
Contact: Peter Radu, City Manager's Office, (510) 981-7000

8a. Referral of two health educator positions to the COB FY 2024 budget process
From: Peace and Justice Commission
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: Refer to the budget process a request for estimated $150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission.
Financial Implications: See report
Contact: Okeya Vance-Dozier, Commission Secretary, (510) 981-7100

Unscheduled Items

8b. **Companion Report: Referral of two health educator positions to the COB FY 2024 budget process**
From: City Manager
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: Refer to the Peace and Justice Commission's request for $150,000 annually for staffing, materials, and supplies for health education and outreach to the Budget and Finance Policy Committee for further deliberation.
Financial Implications: None
Contact: Peter Radu, City Manager's Office, (510) 981-7000

9. **Investment Report Update - Investment Policies of Other Jurisdictions**
From: City Manager
Contact: Henry Oyekanmi, Finance, (510) 981-7300

10. **Measure T1 Phase 2 Projects** *(Item contains supplemental materials)*
From: City Manager
Recommendation: Receive a presentation on Measure T1 Phase 2 Project funding recommendations and update on the City's capital improvement projects, and provide direction to staff.
Financial Implications: See report
Contact: Scott Ferris, Parks, Recreation and Waterfront, (510) 981-6700
Sharon Friedrichsen, Budget Manager, (510) 981-7000

11. **Second Amendment to the FY 2023 Annual Appropriations Ordinance** *(Item contains supplemental materials)*
From: City Manager
Recommendation: Receive a report on the recommended amendments to the FY 2023 Annual Appropriations Ordinance and provide direction.
Financial Implications: See report
Contact: Sharon Friedrichsen, Budget Manager, (510) 981-7000

Items for Future Agendas

- **Requests by Committee Members to add items to future agendas**

Adjournment

Written communications addressed to the Budget & Finance Committee and submitted to the City Clerk Department will be distributed to the Committee prior to the meeting.

This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953 and applicable Executive Orders as issued by the Governor that are currently in effect. Members of the City Council who are not members of the standing committee may attend a standing committee meeting even if it results in a quorum being present, provided that the non-members only act as observers and do not participate in the meeting. If only one member of the Council who is not a member of the committee is present for the meeting, the member may participate in the meeting because less than a quorum of the full Council is present. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to Mark Numainville, City Clerk, (510) 981-6900.

COMMUNICATION ACCESS INFORMATION:
This meeting is being held in a wheelchair accessible location. To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at (510) 981-6418 (V) or (510) 981-6347 (TDD) at least three business days before the meeting date. Attendees at public meetings are reminded that other attendees may be sensitive to various scents, whether natural or manufactured, in products and materials. Please help the City respect these needs.

I hereby certify that the agenda for this meeting of the Standing Committee of the Berkeley City Council was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, as well as on the City's website, on Thursday, April 20, 2023.

Mark Numainville, City Clerk

Communications

Communications submitted to City Council Policy Committees are on file in the City Clerk Department at 2180 Milvia Street, 1st Floor, Berkeley, CA, and are available upon request by contacting the City Clerk Department at (510) 981-6908 or policycommittee@cityofberkeley.info.

Berkeley Fire

Staffing & Overtime Analysis

Definitions

Minimum Staffing: The minimum number of responders that must be working per day to keep fire stations open and handle the call volume and community risk

Leave: Use of contractually provided sick leave, vacation, etc.

Voluntary Overtime: When an employee voluntarily agrees to work more than their base 56hr/week schedule to achieve minimum staffing

Mandatory/Forced Overtime: When there are no volunteers and the department forces an employee to work beyond their normally scheduled 56hr/week

Factors Impacting Fire Department Overtime

Permanent Vacancies

The primary driver of overtime is the permanent vacancy rate (in Operations). Permanent vacancies occur due to retirements, resignations and releases.

A 6% (08 FTE) vacancy rate drives recruitment, the rate has been hovering around 14% (18 FTE).

Long-Term Leave

Employee injuries that result in long-term vacancies are often filled by personnel working overtime.

The current number of employees (in Operations) on long-term leave is 8% (10 FTE).

Hiring

Firefighter academies are 22-weeks long and regulated by the California State Fire Marshal's Office of State Fire Training

Personnel are temporarily assigned to run the Academy – which cause vacancies in minimum staffing. Subject matter expert instructors are used throughout the academy and are paid overtime.

Mutual Aid

When responders are deployed as part of the California Mutual Aid System or as part of the FEMA Urban Search & Rescue (USAR) Team they create vacancies that must be filled.

These costs are recuperated through OES or FEMA but will show up as liabilities in annual overtime reports.

Fire Company Minimum Staffing

Fire Engine (Top): The engine's primary purpose is to carry and pump water from a 500gal tank and/or from fire hydrants. It also carries a variety of other equipment.

One Captain
One Apparatus Operator
One Firefighter (Paramedic)

Ambulance (Middle): The ambulance's primary purpose is to bring a mini-emergency room anywhere in the city.

Two Paramedics

Tillered ladder truck (Bottom): The truck is a giant rolling toolbox also capable of reaching eight stories high (depending on setback) with its ladder.

One Captain
Two Apparatus Operators

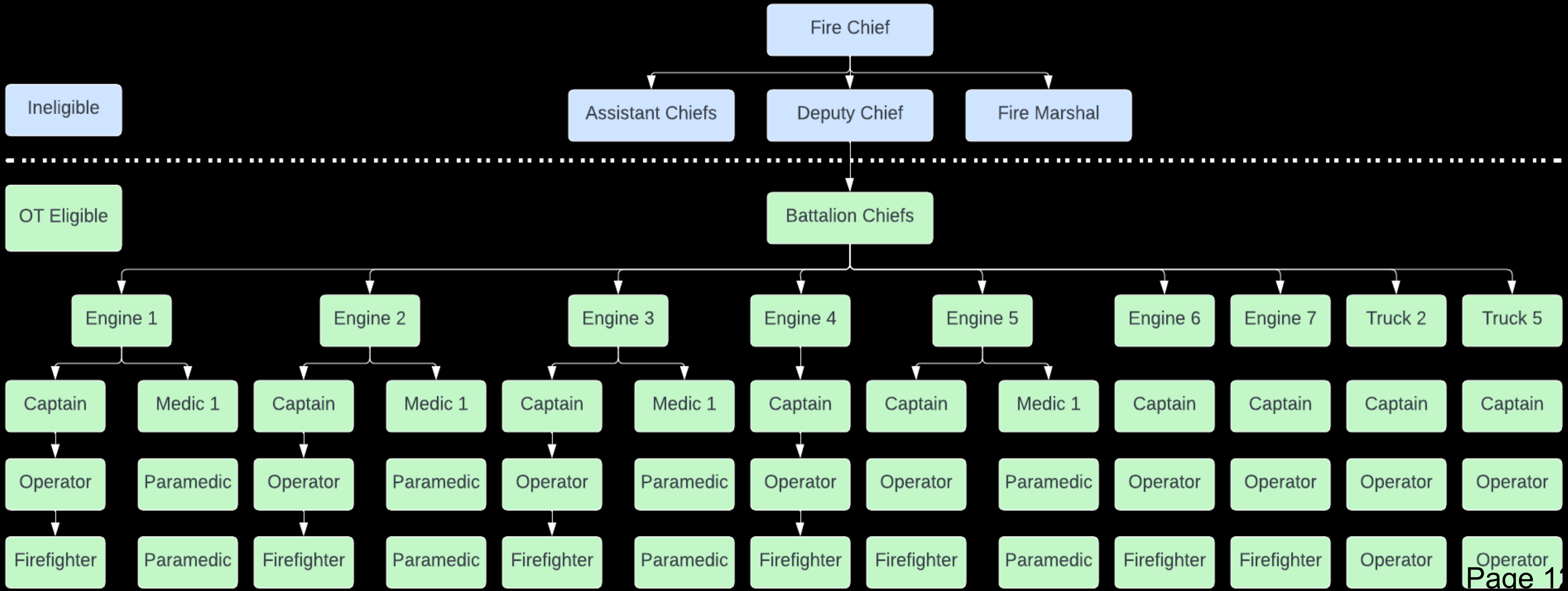
Fire Company Minimum Staffing

When an employee is absent due to...

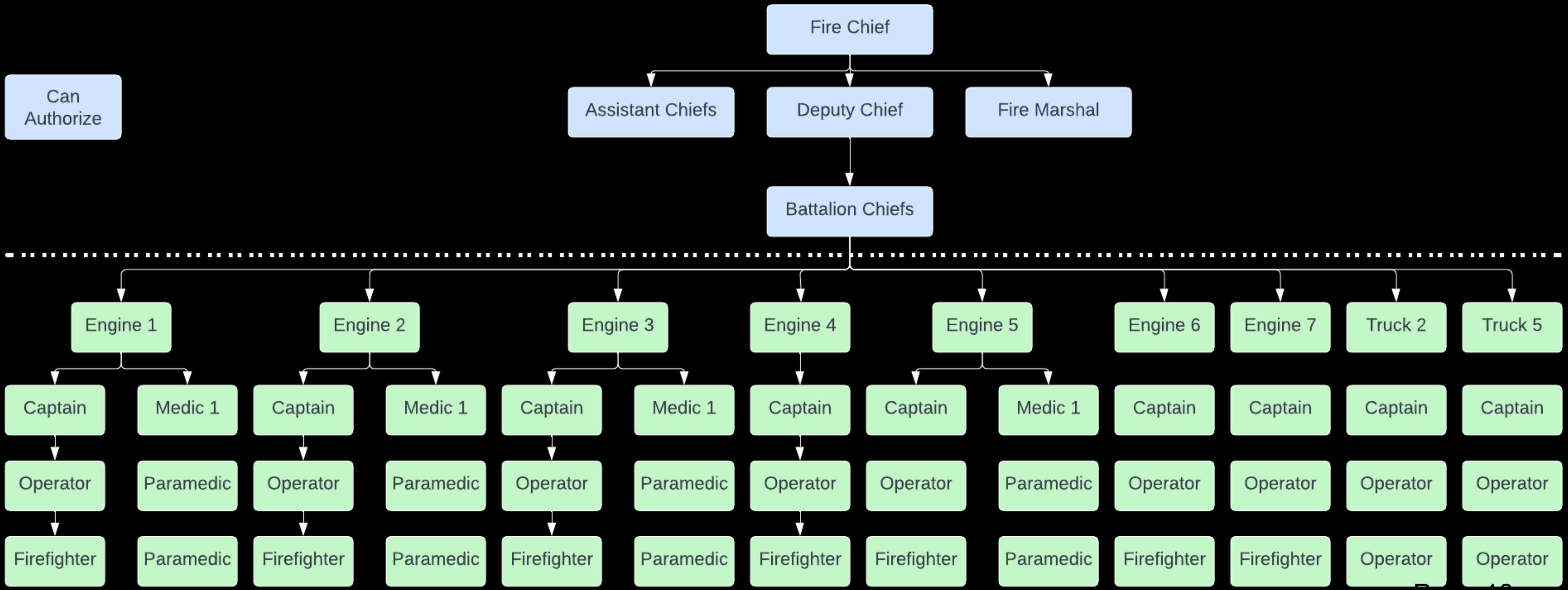
- sick leave (Short Term)
- Vacation (ST)
- injury (variable)
- retirement (Long Term)
- resignation (LT)
- release (LT)

...the vacancy is backfilled by float personnel first, then voluntary overtime, then forced/mandatory overtime.

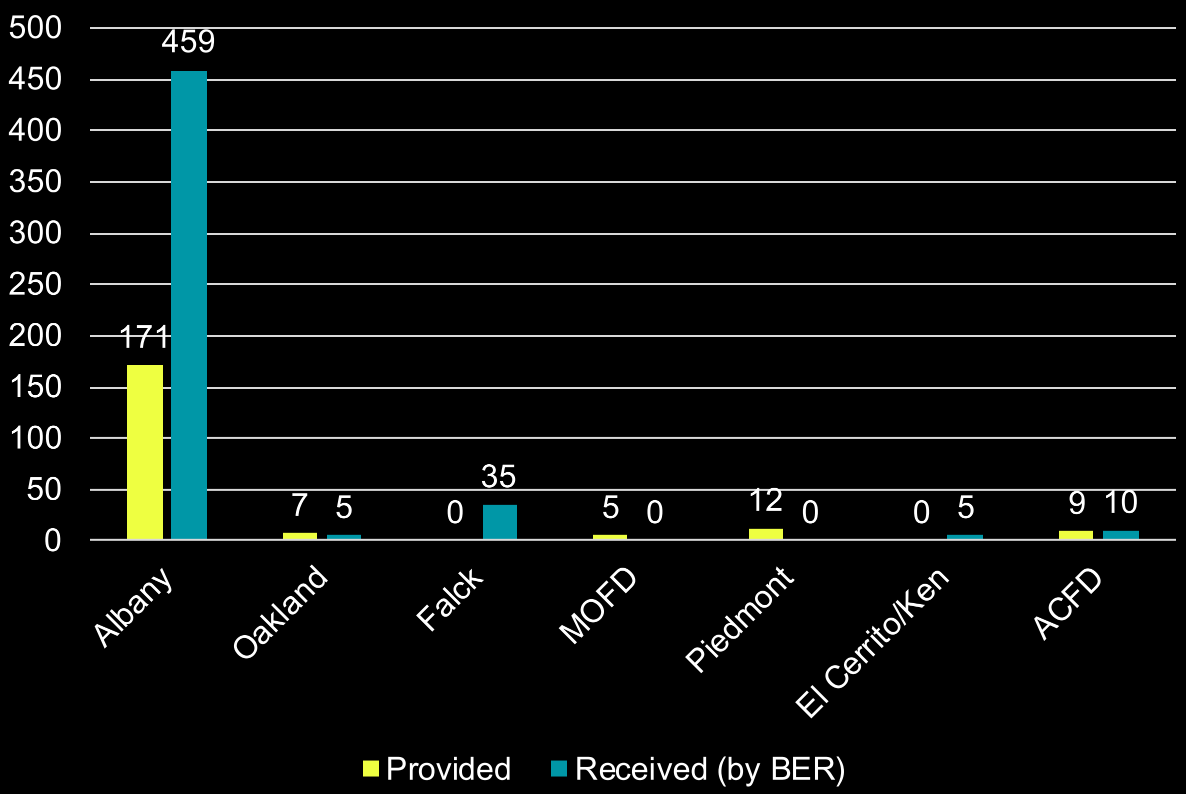
Overtime Eligibility



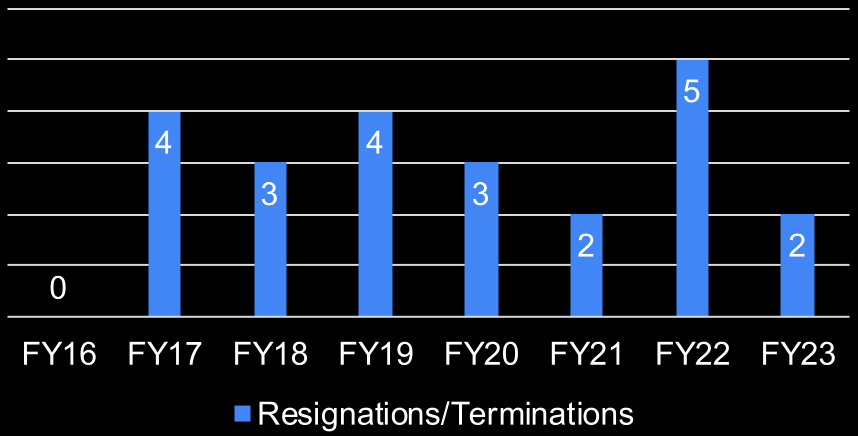
Who Can Authorize Overtime?



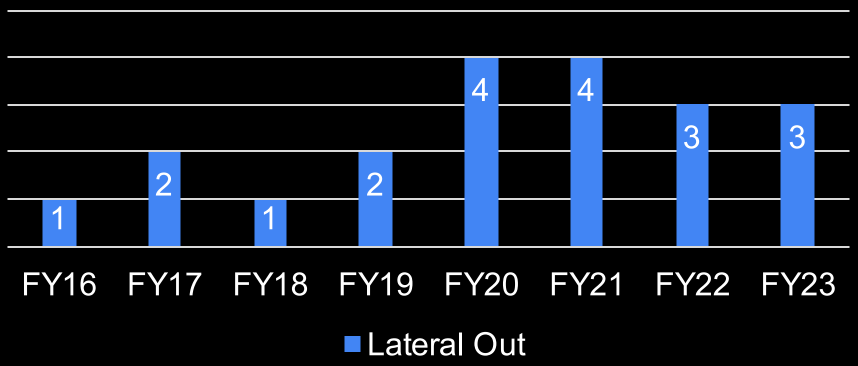
Mutual Aid (No Funds Exchanged)



Unsuccsessful in Probation



Lateral Resignations



Actual Overtime Costs by Fiscal Year

Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*	FY 2021*	FY 2022*
Salary Realignment							2.48% (7/21)
COLA				4.0% (8/18)	2.0% (7/19)		2.5% (7/21)
Peak Long-Term Leave							**18 (14%)**
Peak Permanent Vacancies							**10 (8%)**
General Fund	$ 1,652,791	$ 1,465,924	$ 1,636,118	$ 1,798,333	**$ 1,832,863**	**$ 2,219,833**	**$ 2,686,274**
Measure FF	$ -	$ -		$ -	$ -	$ -	$ 328,429
Measure GG	$ 2,191,296	$ 2,798,949	$ 2,705,295	$ 2,455,873	**$ 2,454,430**	**$ 3,029,107**	**$ 2,605,667**
Measure Q	$ 1,214	$ 1,152	$ 1,893	$ 6,697	$ 24,590	$ 43,202	$ 49,320
Paramedics Tax	$ 153,537	$ 212,156	$ 170,265	$ 189,437	**$ 289,342**	**$ 291,359**	**$ 278,186**
Permit Center	$ 603	$ -	$ 933	$ 1,819	$ 2,521	$ 2,755	$ 2,724
UC Funds	$ -	$ -		$ -	$ -	$ -	$ 3,124
FY Total	**$ 3,999,441**	**$ 4,478,181**	**$ 4,514,504**	**$ 4,452,160**	**$ 4,603,745**	**$ 5,586,255**	**$ 5,953,724**
% Change + / -		**12%**	**0.8%**	**-1.4%**	**3.4%**	**21.3%**	**6.6%**

** Figures influenced by the pandemic (pandemic response, hiring freeze, recruitment challenges, resignations)*

Historical Changes in the Overtime Budget

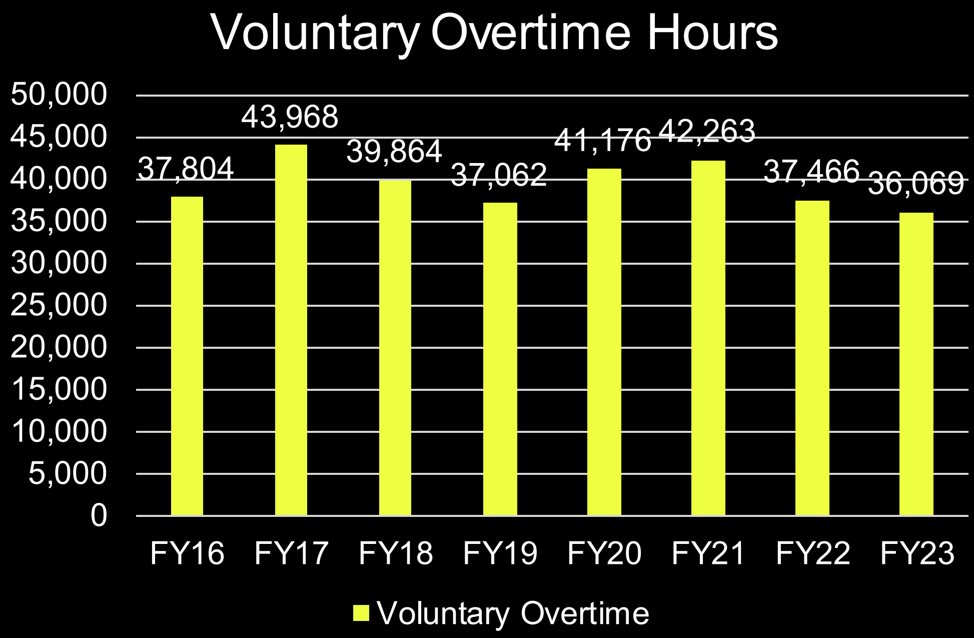
The General Fund overtime budget increases have not been sufficient to keep pace with increasing labor costs and a consistently higher vacancy rate.

Measure GG can supplement – up to the point where use of funds jeopardize savings for long-term system replacement, like the radio communications system.

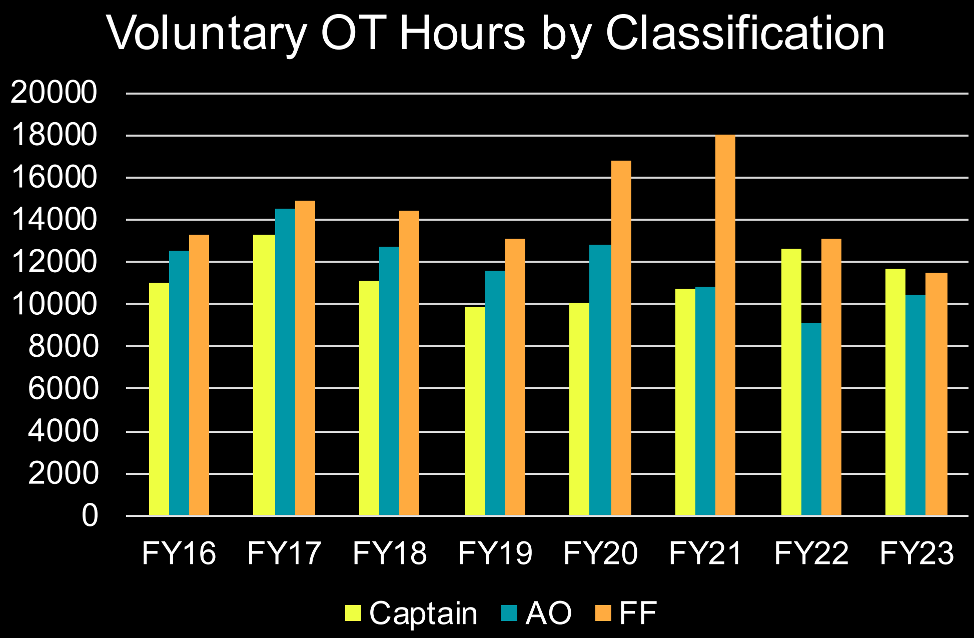
Overtime Budget by Fiscal Year

Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Salary Realignment							Capt 10.07%, AO, 2.81%, FF, 2.48%	
COLA	2% (11/15) 2% (6/16)	0.5 (1/17)		4.0% (8/18)	2.0% (7/19)		2.5% (11/21)	3.5% (7/22)
GF Budget	$1.8m	$1.4m	$1.5m	$1.5	$1.7	$1.7	$1.6	-
GF Actual	$1.7m	$1.5m	$1.6m	$1.8m	**$1.8m**	**$2.2m**	**$2.7m**	-

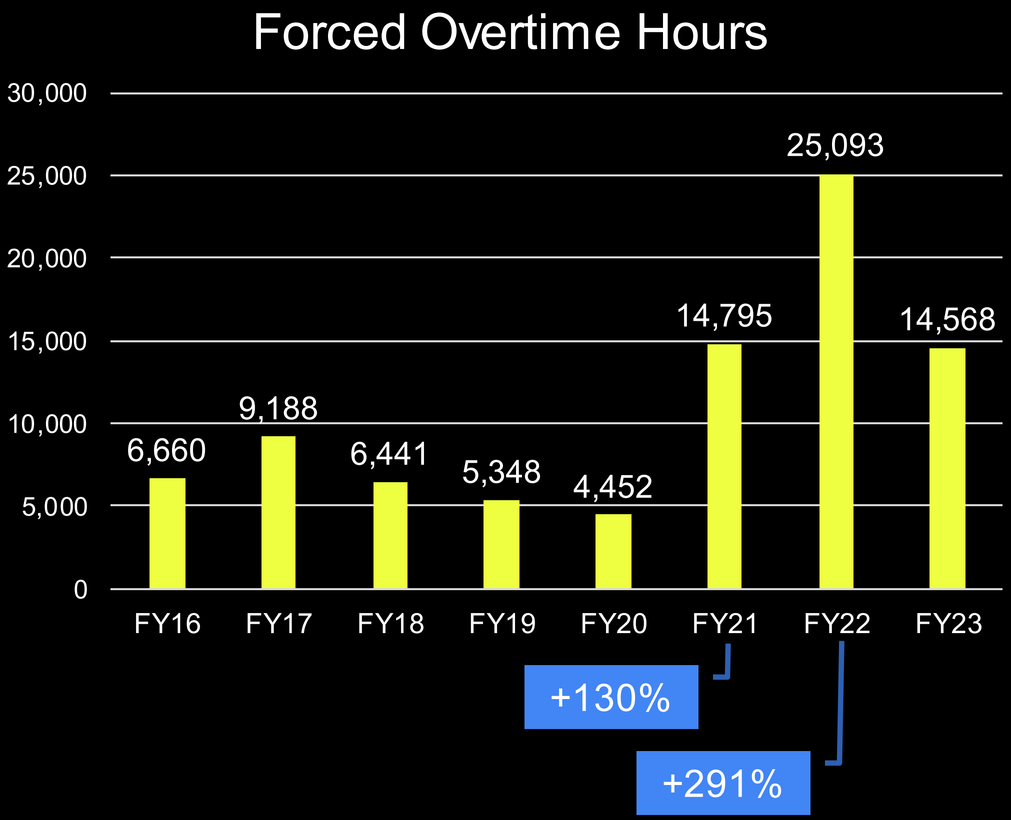
19


Voluntary Overtime Hours
50,000
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
37,804
43,968
39,864
37,062
41,176
42,263
37,466
36,069
FY16
FY17
FY18
FY19
FY20
FY21
FY22
FY23
Voluntary Overtime


BERKELEY

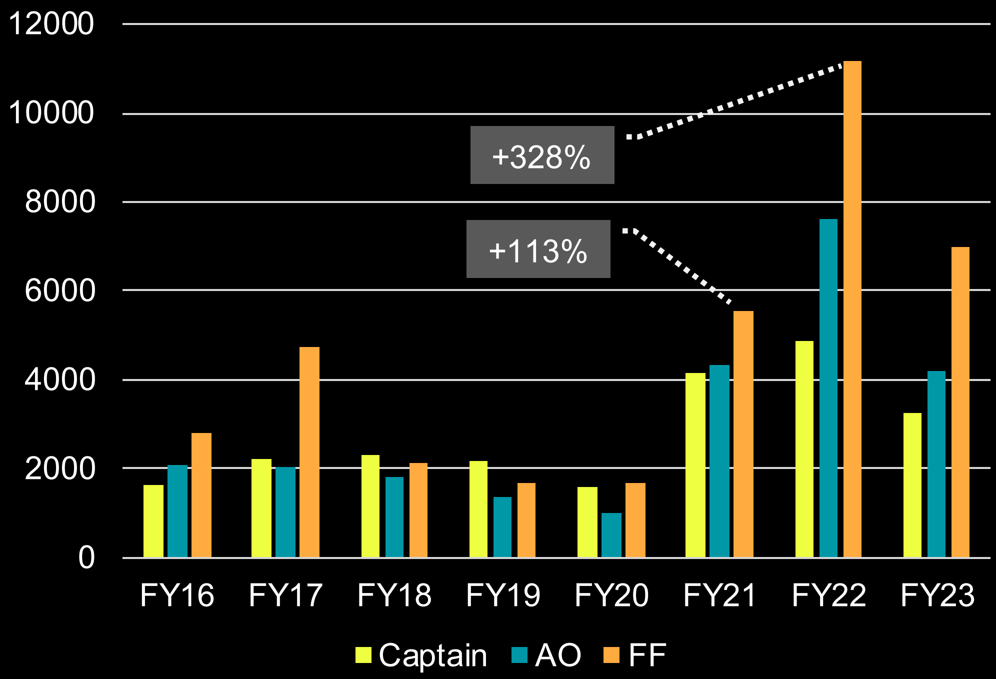

Voluntary OT Hours by Classification
20000
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
FY16
FY17
FY18
FY19
FY20
FY21
FY22
FY23
Captain
AO
FF


FIREFIGHTER
E7
BERKELEY

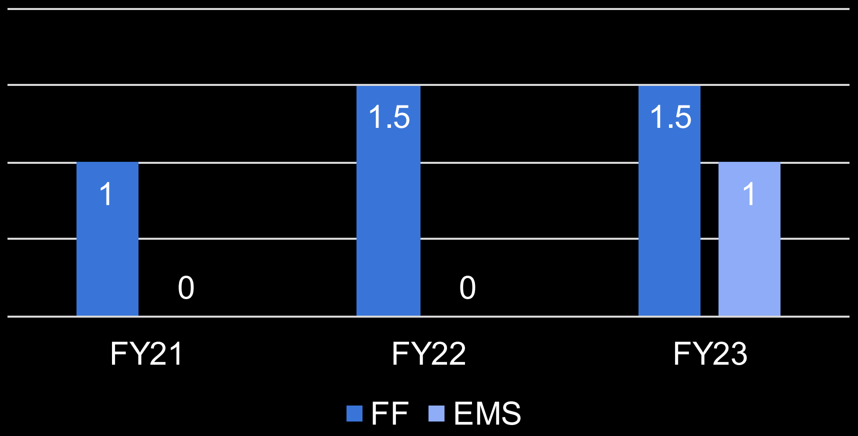

Forced Overtime Hours
30,000
25,000
20,000
15,000
10,000
5,000
0
6,660
9,188
6,441
5,348
4,452
14,795
25,093
14,568
FY16
FY17
FY18
FY19
FY20
FY21
FY22
FY23
+130%
+291%


BERKELEY
FD

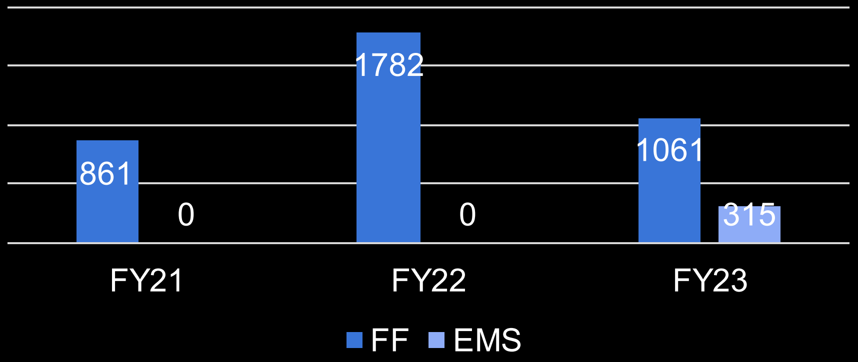
Forced Overtime Hours by Classification

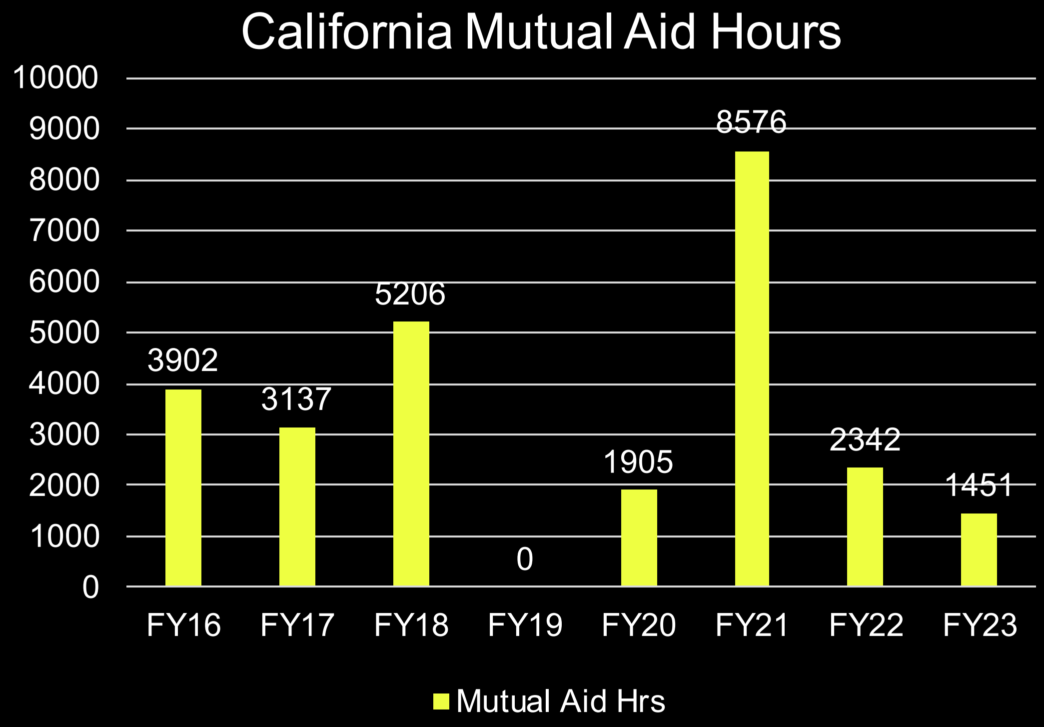


Academies



Total Academy OT Hours




California Mutual Aid Hours
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
3902
3137
5206
0
1905
8576
2342
1451
FY16
FY17
FY18
FY19
FY20
FY21
FY22
FY23
Mutual Aid Hrs


BFD
BFD

Strategies

1. Return to pre-pandemic staffing / vacancy rates
2. Employer of Choice (R & R) – ***Retention!***
3. Annually we will work with Budget Office to reset the baseline based on labor agreements
4. Regional training collaboration initiatives
5. New classification of EMT and Paramedic – may drive shorter process for filling vacancies

Thank you

Office of the City Manager

ACTION CALENDAR
April 27, 2023

To: Budget and Finance Policy Committee

From: Dee Williams-Ridley, City Manager

Submitted by: Lisa Warhuus, Director, Health, Housing and Community Services

Subject: Housing and Community Services' (HCS) Division Staffing Study

RECOMMENDATION

Recommend adoption of $463,242 from the General Fund to implement Phases 1 and 2 of the Department of Health, Housing, and Community Services' Housing and Community Services (HHCS/HCS) staffing study recommendations:

- Phase 1) Immediately convert six current temporary staff positions to permanent, including the two General Fund funded positions currently only approved through FY 2025.
- Phase 2) Add five new positions in FY 2024, including two new General Fund funded position.

SUMMARY

HHCS/HCS supports many of the high-priority and high-profile projects that the Council has identified related to housing, homelessness, and a wide range of community services, including both time-sensitive individual projects as well as on-going baseline work. In response to identified needs in the community, the range and scale of programs and funding streams administered by HHCS/HCS has steadily increased since FY 2018. At the same time, the staffing size and structure has not been formally reviewed or substantially changed.

After a year-long study with a consultant, HHCS/HCS is requesting $463,242 in additional General Fund starting in FY 2024 in order to scale the division's capacity more appropriately to meet the workload.

In FY 2022 the City engaged VIVA Consulting, LLC (VIVA) to conduct a staffing study that would inform an updated HHCS/HCS staffing plan to ensure that the division's staffing and structure is sufficient to meeting the division's responsibilities and the community's priorities with regard to affordable housing, homelessness, and other community services.

To achieve that goal, this study recommends a three phased staffing implementation plan paired with an internal reorganization:

- Phase 1 will immediately **convert six existing temporary staff to permanent** positions.
- Phase 2 will **add five new positions** in FY 2024 to support all work units.
- Phase 3 will **add two additional positions** in FY 2026 to bolster sections of the units as they continue to grow in complexity and scope.

FISCAL IMPACTS OF RECOMMENDATION
HHCS/HCS proposes leveraging special funds, including grant funds, alongside an ongoing General Fund commitment from the City for the staffing expansion. Special funds currently cover 73% of the division's personnel budget. For phases 1 and 2, HHCS/HCS special funds will cover 73% of the overall cost in FY 2024.

Phase 1 (making six temporary positions permanent), would be primarily funded with special funds ($736,436), which currently support four of the six positions. The remaining two positions are already approved for three years (through FY 2025) with General Funds. This means that approving Phase 1 would have no additional fiscal impact in FY 2024 or FY 2025, and would only require ongoing General Fund (011) support starting in FY 2026.

Phase 2 would create five new full-time career positions at a total cost of $974,649. More than half of the cost can be supported with special funds, and would also require $463,242 in General Fund.

Phase 3, which is anticipated to require General Fund support, will be included in a budget request in FY 2026, so no action is required at this point. If additional special funds are available at that time, the General Fund request would be reduced.

Tables 1-3 below illustrate both the phased approach to these staffing additions as well as the fiscal impacts.

Table 1: Phase 1 – FY 2023. Convert six existing temporary FTEs to permanent.

Positions	General Fund	HCS Special Funds
Temporary Positions: *Previously approved through FY 2025 – no additional GF impact until 2026*		
- Community Development Project Coordinator (CDPC)for BART	$186,334	$ -
- Community Services Specialist II (CSSII) for Homeless Programs	$209,513 (Measure P)	$ -
Temporary Positions: *Awaiting permanent status pending staffing study approval*		
- Assistant Management Analyst (AMA)	$ -	$141,624
- Community Services Specialist II (CSSII) for Compliance and Contract Support	$ -	$177,782
- Senior Community Development Project Coordinator (Sr. CDPC), Supervisor for Affordable Housing	$ -	$220,605
- Senior Management Analyst (SMA)	$ -	$196,425
Total: *New commitments for FY 2024*	$ -	$736,436
Total: *FTEs*	2	4

Notes:
* Both GF and Measure P (MP) positions have been previously approved and budgeted through FY 2025.
** The conversion of temporary positions only impacts the GF budget starting in FY 2026 when the temporary CSSII (MP) and CDPC-BART (GF) are originally slated to terminate. The impact is that the GF support for FTE's would continue at the same level as FY 2023.

Table 2: Phase 2 – FY 2024. Create five new FTEs.

Positions	General Fund	HCS Special Funds
Community Services Specialist I for program support	$ -	$141,624
Community Services Specialist I for program support	$ -	$141,624
Senior Community Development Project Coordinator, Supervisor for Asset Management and Preservation	$215,121	$ -
Program Manager 2 for Admin and Operations	$238,121	$ -
Program Manager 2 for Homeless Programs		$238,121
Operating costs associated with new staff ($5k/each)	$10,000	$15,000
Total: *Total ongoing commitments starting in FY 2024*	$463,242	$536,407
Total: *FTEs*	2	3

Table 3: Phase 3 – FY 2026. Create 2 new FTEs.

Positions	General Fund	HCS Special Funds
Community Services Specialist I for Compliance and Homeless Programs	$141,624	$ -
Program Manager 2 for Housing Programs	$238,121	$ -
Operating costs associated with new staff ($5k/each)	$10,000	$ -
Total: *Total ongoing commitments starting in FY 2026*	$389,764	
Total: new *FTEs*	2	0

HHCS/HCS' budget weaves together multiple sources of grant and special needs funding, all of which is restricted to certain, defined activities. As a result, virtually every staff position in HHCS/HCS is supported by a blend of funds, each of which is tied to specific portions of that position's responsibilities. For this reason, it is not possible to alter the funding mix for any of the positions described above without having impacts to other positions.

CURRENT SITUATION AND ITS EFFECTS

HCS is a leader in the City in advancing several of the City's Strategic Plan Priority Project goals. Primarily to create affordable housing and housing support services for our most vulnerable community members.

The range and scale of programs and funding streams administered by HCS increased significantly from FY 2018 to FY 2022. At the same time, the staffing size and structure has not been formally reviewed or substantially changed.

Starting in FY 2022 the City engaged VIVA Consulting, LLC (VIVA) to conduct a staffing study that would inform an updated HCS staffing plan better aligned with the division's responsibilities. HCS wanted to better understand the staffing needs to support current workload, how to adjust to a rapidly changing workload and elevated priorities, and how to create a sustainable work environment that both increases job satisfaction and produces quality outcomes.

The staffing study collected data directly from HCS documents, HCS Staff, non-HCS City of Berkeley staff, and peer jurisdictions.

This study supports increasing staffing levels in HCS. Current staffing levels are not commensurate with the level of programs and funds that HCS manages for the City's under-served and low-income residents. While there is no one-size fits all approach to staffing this type of work the following recommendations assist in right-sizing the staffing and content focus of HCS.

1. Narrow HCS' focus to housing, homeless and related community services serving the city's lowest income residents. HCS currently does the former, but it also manages labor standards and employment programs, the City's tenant relocation ordinance, and department-wide contracting. Relocating these programs to more appropriate departments/divisions would narrow HCS' focus and better serve the community.
2. Convert all temporary staff to permanent to maintain current program implementation and administration and to assist in recruiting experienced candidates who are invested in staying with the City long term.
3. Increase support-level administrative and program staff.
4. Add a tier of Program Managers to oversee operations and key program areas, which balances the supervisor/supervisee ratio, and also provides new opportunities for growth and career advancement.

5. Enhance career pathways within the existing Community Service Specialist (CSS) and Community Development Project Coordinator (CDPC) classification series.
6. Create more intentional retention strategies, including training and professional development.
7. Streamline processes and update software for greater efficiency.
8. Incorporate department-wide priorities across all HCS units with cross-cutting staff. This will assist HCS to implement equity and communication initiatives.
9. Engage Human Resources in more streamlined recruitment process.
10. Create metrics for when and how to add new positions in the future.

This study recommends a three phased staffing implementation plan paired with an internal reorganization. This approach will allow HCS improve its staffing in alignment with increasing demands.

- Phase 1 will immediately **convert six existing temporary staff to permanent** positions.
- Phase 2 will **add five new positions** in FY 2024 to support all work units.
- Phase 3 will **add two additional positions** in FY 2026 to bolster sections of the units as they continue to grow in complexity and scope.

The results of this staffing study demonstrate HCS' commitment to two additional Strategic Plan Priority Project goals to attract and retain a talented and diverse City government workforce, and be a customer-focused organization that provides excellent, timely, easily-accessible service and information to the community.

For additional detail on the staffing study, its findings and current impact see the attached report.

<u>BACKGROUND</u>
The Housing and Community Services Division (HCS) is one of five divisions in the Health, Housing and Community Services Department (HHCS). HCS' mission is: *to produce or preserve affordable housing and strengthen community services to support low-income, homeless, senior, and disabled Berkeley community members.* The Division achieves this by administering supportive housing, affordable housing policies and programs, and funding community agencies that provide homeless, health, employment and other critical services.

For additional background on HCS and the staffing study see the attached report.

<u>ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS</u>
There are no known environmental sustainability or climate impacts to this report.

RATIONALE FOR RECOMMENDATION

HCS administers critical affordable housing, homeless, and community service programs that support the city's most vulnerable residents. Budgets and programs in HCS have increased substantially alongside the region's rising housing and homelessness crisis. As recommended by the study, staffing increases are necessary to effectively administer the funding, programs, and ongoing council referrals. See the attached staffing study for a full analysis and rationale.

ALTERNATIVE ACTIONS CONSIDERED

HCS worked with Viva for over a year to design a new and sustainable organizational structure and staffing plan for HCS. The recommendations in this staffing study are required for HCS to continue the current pace of work. If the recommended changes to staffing cannot be achieved, possible reductions in workload could include:

- Reduction in frequency and scope of affordable housing monitoring and compliance.

- Delay in issuing future HTF RFP's and processing funding applications, loan documents, and regulatory agreements, including the $53 million reserved for the two BART station developments.

- Reduced capacity to support lower capacity developers that requires more technical assistance.

- Reduction in program design and technical assistance for homeless programs that are substantially funded with City funds, such as the Housing Resource Center, the Inclement Weather Shelter, and limited ability to add any new contracts and monitoring of existing programs.

- Delays in housing policy implementation, including the preference policy.

- Reduction in funding applications to leverage the City's local affordable housing funding, such as the State's Local Housing Trust Fund program, Permanent Local Housing Allocation, and future rounds of Homekey funding.

CONTACT PERSON

Margot Ernst, Manager, Housing and Community Services, (510) 981-5427

Attachment:
1: HCS' Staffing Study

City of Berkeley

Housing and Community Services’ Staffing Study

Health, Housing and Community Services

VIVA Consulting, LLC in partnership with the City of Berkeley
4-10-2023

Housing and Community Services Division (HCS)
Staffing Study

CONTENTS

1 EXECUTIVE SUMMARY

The Housing and Community Services Division (HCS) is one of five divisions in the Health, Housing and Community Services Department (HHCS). HCS produces and preserves affordable housing and strengthens community services to support low-income, homeless, senior, and disabled Berkeley community members. The Division administers supportive housing, affordable housing policies and programs, and provides funding to community agencies that provide homeless, health, employment and other critical services.

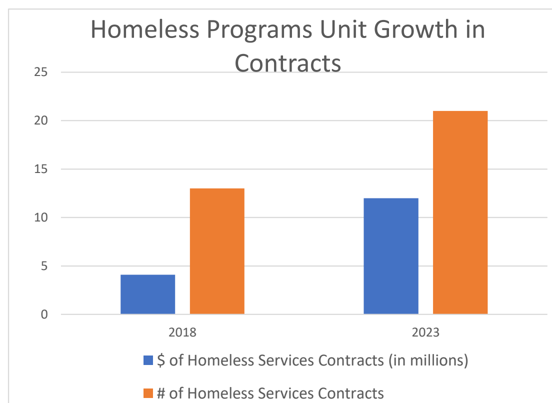
The range and scale of programs and funding streams administered by HCS increased significantly from 2018 to 2022. At the same time, the staffing size and structure has not been formally reviewed or substantially changed. The City engaged VIVA Consulting, LLC (VIVA) to conduct a staffing study that would inform an updated HCS staffing plan better aligned with the division's responsibilities. HCS wanted to better understand impacts and realities of chronic staffing vacancies, how to adjust to changing working environments and priorities, how to create a fulfilling work environment and increased job satisfaction that is both sustainable and produces quality outcomes.

The staffing study collected data directly from HCS documents, HCS Staff, non-HCS City of Berkeley staff, and peer jurisdictions. The data shows that:

- **HCS' current work output is not sustainable with existing staffing levels**. While HCS staff continue to produce quality work, ongoing vacancies and hard to fill positions put HCS' work product and quality in jeopardy.

- **The HCS budget and programs continue to grow.** The number of programs, funding sources, and overall budget has increased significantly over the last five years, as reflected in a 152% increase in budget from FY 2018 to FY 2022. At the same time staffing levels have only slightly increased.

HCS "punches above its weight" and is "grossly understaffed".



- **HCS' staffing has not adequately corresponded to changes in funding.** For example, during the last 5 years, HCS' general fund personnel budget declined by 36%, whereas the general fund non-personnel (programming) budget increased by 2837%.

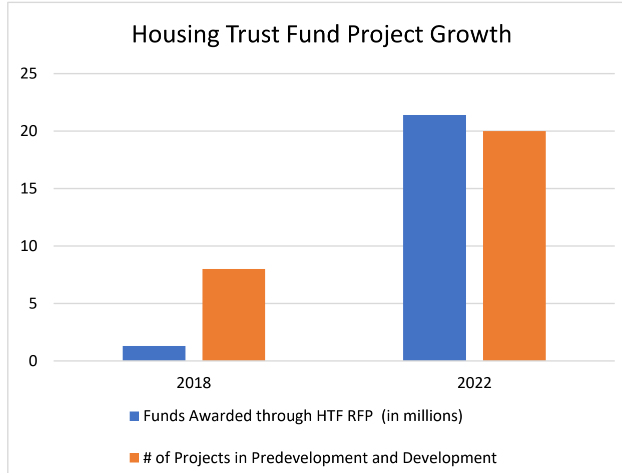
- **Berkeley is a unique front runner in many housing and homeless policies and programs.** While many other jurisdictions are seeing increases in housing and homeless work, no other jurisdiction was directly comparable to Berkeley. However, there are strategies for recruitment, retention, staffing metrics, and training that neighboring jurisdictions have implemented with positive results, and that HCS could also benefit from moving forward.

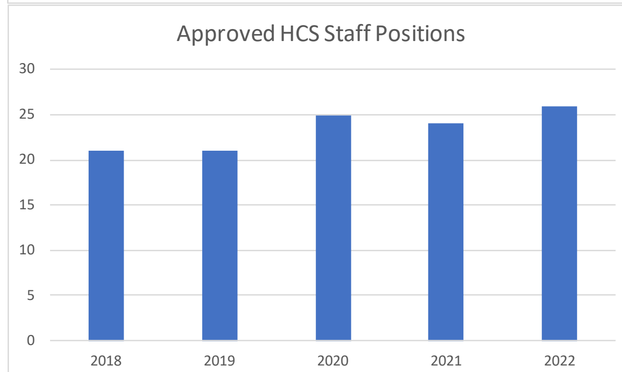
- **Recruitment and retention are critical to ensure housing and homeless goals are met**. As the city's salary and benefits package loses pace with neighboring jurisdictions, it is vulnerable to staff turnover. HCS is highly rated as a good place to work within the City, with strong supervision, collaborative culture, appreciated staff, and the ability to execute complex projects. Yet, a third of HCS staff feel very challenged to complete their work efficiently, thoroughly and timely, leading to burnout and job dissatisfaction.

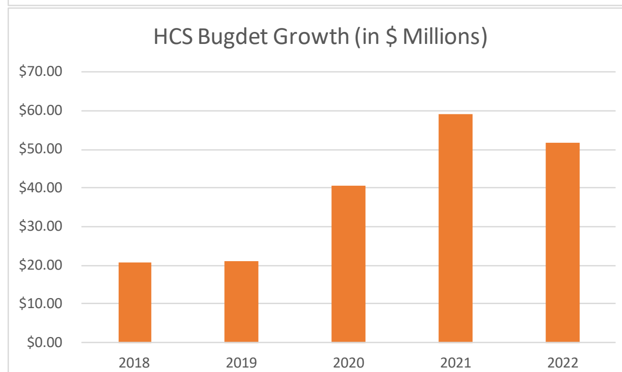
Staffing Study Recommendations

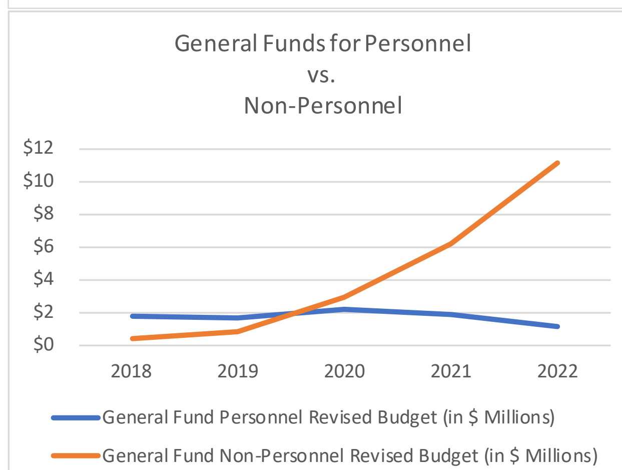
This study supports increasing staffing levels in HCS. Current staffing levels are not commensurate with the level of programs and funds that HCS manages for the City's under-served and low-income residents. There is no one-size fits all approach to staffing this type of work. Yet, the following recommendations can assist in right-sizing the staffing and content focus of HCS.

1. Narrow HCS' focus to housing, homeless and related community services serving the city's lowest income residents. HCS currently does









the former, but it also manages labor standards and employment programs, the City's tenant relocation ordinance, and department-wide contracting. Relocating these programs to more appropriate departments/divisions would narrow HCS' focus and better serve the community.
2. Convert all temporary staff to permanent to maintain current program implementation and administration and to assist in recruiting experienced candidates who are invested in staying with the City long term.
3. Increase support-level administrative and program staff.
4. Add a tier of Program Managers to oversee operations and key program areas, which balances the supervisor/supervisee ratio, and also provides new opportunities for growth and career advancement.
5. Enhance career pathways within the existing Community Service Specialist (CSS) and Community Development Project Coordinator (CDPC) classification series.
6. Create more intentional retention strategies, including training and professional development.
7. Streamline processes and update software for greater efficiency.
8. Incorporate department-wide priorities across all HCS units with cross-cutting staff. This will assist HCS to implement equity and communication initiatives.
9. Engage Human Resources in more streamlined recruitment process.
10. Create metrics for when and how to add new positions in the future.

This study recommends a three phased staffing implementation plan. This approach will allow HCS to improve its staffing in alignment with increasing demands.

- Phase 1 will immediately **convert six existing temporary staff to permanent** positions.
- Phase 2 will **add five new positions** in FY 2024 to support all work units.
- Phase 3 will **add two additional positions** in FY 2026 to bolster sections of the units as they continue to grow in complexity and scope.

2 RECOMMENDATIONS

The proposed HCS staffing plan and organizational design incorporates elements from both internal (staff, other departments and divisions, etc.) and external data sources (peer jurisdictions).

After reviewing all HCS available and collected data, the HCS Organizational Planning Committee conducted a series of workshops to determine an organizational design for the division.

The key elements underpinning the proposed staffing and organizational design include:

1. Narrow HCS' focus to housing, homeless and related community services serving the city's lowest income residents. HCS currently does the former, but it also manages labor standards and employment programs, the City's tenant relocation ordinance, and department-wide contracting. Relocating these programs to more appropriate departments/divisions would narrow HCS' focus and better serve the community.
2. Convert all temporary staff to permanent to maintain current program implementation and administration and to assist in recruiting experienced candidates who are invested in staying with the City long term.
3. Increase support-level administrative and program staff.
4. Add a tier of Program Managers to oversee operations and key program areas, which balances the supervisor/supervisee ratio, and also provides new opportunities for growth and career advancement.
5. Enhance career pathways within the existing Community Service Specialist (CSS) and Community Development Project Coordinator (CDPC) classification series.
6. Create more intentional retention strategies, including training and professional development.
7. Streamline processes and update software for greater efficiency.
8. Incorporate department-wide priorities across all HCS units with cross-cutting staff. This will assist HCS to implement equity and communication initiatives.
9. Engage Human Resources in more streamlined recruitment process.
10. Create metrics for when and how to add new positions in the future.

2.1 PROPOSED STAFFING PLAN AND ORGANIZATION

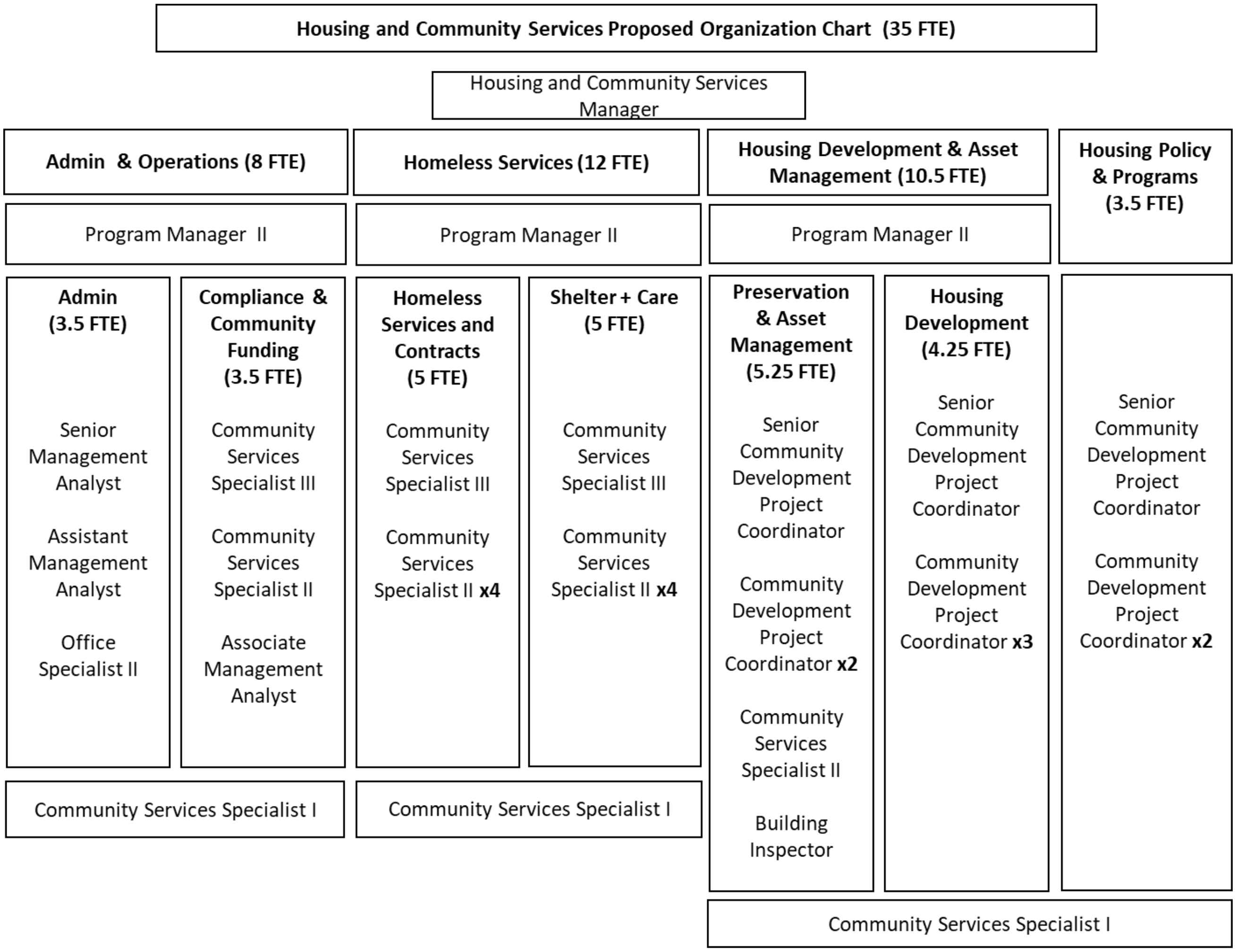
Table #1 details the recommended HCS staffing plan. The above elemental underpinnings are the basis for this plan. The recommendation is to first convert six existing temporary staff to full-time permanent, then to add seven new positions to support all areas of the division. The new positions would be added in two phases. Chart #1 illustrates the proposed organizational structure including the staffing recommendations.

Table #1 – Staffing Recommendations

Phase 1 – FY 2023	
Convert 6 temporary FTEs to permanent (currently spanning all units)	• **1** Community Services Specialist II, Homeless Programs • **1** Sr. Community Development Project Coordinator, Housing Development • **1** Community Development Project Coordinator, Housing Development • **1** Senior Management Analyst, Admin. and Operations • **1** Community Services Specialist II, Compliance • **1** Assistant Management Analyst, Admin. and Operations
Phase 1 Subtotal FTE	***6***
Phase 2 – FY 2024	
Add 1.5 FTE in Admin and Operations	• **.5** Community Services Specialist I, Program support • **1** Program Manager II, Admin. and Operations
Add 3.5 FTE in Housing and Homeless career pathway	• **.5** Community Services Specialist I, Program support • **1** Community Services Specialist I, Program support • **1** Sr. Community Development Project Coordinator, Housing Preservation and Asset Management • **1** Program Manager II, Homeless Programs
Phase 2 Subtotal FTE	***5***
Phase 3 – FY 2026	
Add 1.5 FTE in Housing and Homeless career pathway	• **.5** Community Services Specialist I, Program support • **1** Program Manager II, Housing
Add .5 FTE in Admin and Operations	• **.5** Community Services Specialist I, Program support
Phase 3 Subtotal FTE	***2***
Total FTE*	**13 (6 existing and 7 new)**

*Note that if Employment Programs, Labor Standards, and Tenant Relocation Services were to remain in HCS, additional restructuring would be needed to establish and new Labor and Employment Program Unit (with a supervisor position), and an additional FTE to administer relocation services, which are anticipated to be bolstered through revisions to the relocation ordinance and expanded through the upcoming demolition ordinance and tenant habitability plan.

Chart #1: Housing and Community Services *Proposed* Organizational Chart



2.2 Relocation of Specific Programs No Longer Best Served by HCS

This staffing study also looks at programs that are no longer best served in a division that specializes in affordable housing, homeless services, and community services for low-income residents of the city. Consideration should be given to relocate the following programs:

2.2.1 Tenant Relocation Services

The City's relocation ordinance ensures that tenants who are displaced due to code violations are provided adequate noticing, rental assistance, and reimbursement for moving and storage expenses. Administration of this ordinance requires daily contact with tenants and landlords to inform them of their rights and responsibilities under local law. It also requires regular coordination with both the Fire and Planning and Development Departments where the determination to trigger relocation benefits is actually made, as well as regular coordination with the Rent Board where tenants typically go to understand their rights. The administration of the ordinance is currently staffed with less than .25 FTE, including a small portion of a CDPC and Sr. CDPC who is primarily responsible for implementation and oversight.

HCS manages affordable housing policy and programs, and this work is focused on Berkeley tenants more broadly. Outside of the Relocation program, HCS does not work on or have expertise in tenant rights and city-wide legal protections. The relocation ordinance applies to any tenant in the City, regardless of income status, and is not targeted to low-income residents.

Additionally, significant revisions to this ordinance are currently under consideration by the City Council. It is expected that the relocation ordinance will be revised to provide enhanced benefits to tenants with stronger enforcement by the City. In this case, the work to administer the program and develop new processes and procedures for its implementation will require an increase in dedicated staff. This increase in staffing is not currently included in the proposed structure for HCS. It is estimated that one FTE would be required to effectively administer the program once the ordinance is revised.

2.2.2 Centralized Contracting Unit

The centralized contracting unit (CCU) was originally formed to centralize the City-wide procurement of contracts with non-profit organizations serving the Berkeley community. The program runs a request for proposal (RFP) process every four years that includes local, state, and federal funds totaling over $10M annually. The CCU is responsible for all federal Housing and Urban Development (HUD) sub-recipient compliance which have grown in depth and complexity over recent years.

While some of the programs funded through this RFP are homeless or affordable housing related and funded by HUD, others are not. Approximately 25% of the RFP funds are awarded to programs that are not related to housing or homelessness. These include programming for disability, youth, legal, senior and health services. HCS' expertise is with housing and homeless programs and contracts encompassing other content housed elsewhere in the City or HHCS should be moved accordingly.

Additionally, overtime, new funding streams for community agencies (in and out of HHCS) have been introduced, each with their own unique procurement or allocation processes. These include but are not limited to the Mental Health Services Act (MHSA) funds, the Sugar-Sweetened Beverage Product funds, and Measure P funds. This has made the CCU a large contracting unit, but not a centralized one. Many of the recipient agencies are the same agencies across procurements but with different contracting requirements, points of contacts, etc. Therefore, it is worth exploring options to lift up some of the responsibilities of this unit to the department or city level.

While several options were considered in order to right-size the community agency contracting portion of the work for HCS, the option that rose to the top was to create a centralized contracting unit in the HHCS Office of the Director rather than imbedded in one division. Funding sources, such as CDBG, with specific requirements would layer on programmatic requirements during the procurement and contracting processes. HCS could work with HHCS on a phased approach to this to ensure a seamless transition and mutual aid from staff in HCS and at the department level. This option would not require any additional staff in HCS but it would require an additional FTE at the department level. This option may prove to be the most supportive and streamlined for both community agencies and staff in the various divisions.

If no action is taken and the CCU remains in HCS then additional restructuring would be needed to accommodate the role alongside increases in other activities in this unit, including federal compliance, labor standards, and employment programs.

2.2.3 Labor Standards and Enforcement Programs

The City's Labor Standards and Employment Programs include the Minimum Wage Ordinance, Living Wage Ordinance, Paid Sick Leave Ordinance, the Berkeley Family Friendly and Environment Friendly Workplace Ordinance, and the Community Workforce and First Source Agreement. Several of these ordinances apply primarily to public works projects and require significant coordination between HCS and the Public Works Department. Additionally, these programs fall outside of HCS' primary focus (affordable housing, homeless and community services targeting low-income residents), and also represent a high priority goal for the City.

The City's Labor Commission is dedicated to making new policy and program recommendations to Council, and Council is actively adopting new labor standards. The administration of these programs adds another high priority prong to a division already tackling multiple key priorities for the City. Additionally, with only one FTE, these activities are currently understaffed. Staff in HCS have observed that simply enforcing the labor standards is not sufficient for the goals set forth by the Council and the community, which also call for targeted workforce development efforts and strong community engagement. A dedicated Labor Standards and Workforce Development Unit is recommended, regardless of where these efforts are housed. It is recommended that consideration be given moving this unit to a more appropriate department that is already engaged with the business community and workforce development.

3 BACKGROUND

3.1 ABOUT HCS

The Housing and Community Services Division (HCS) is one of five divisions in the Health, Housing and Community Services Department (HHCS). HCS' mission is: *to produce or preserve affordable housing and strengthen community services to support low-income, homeless, senior, and disabled Berkeley community members.* The Division achieves this by administering supportive housing, affordable housing policies and programs, and funding community agencies that provide homeless, health, employment and other critical services.

The HCS work is currently structured into three primary program areas: affordable housing (development and policy), homeless services, and community services. These primary program areas are aligned with the City's Strategic Plan goal to: *create affordable housing and housing support services for our most vulnerable community members.*

For more details about HCS, its full scope, programs, and recent changes please see the Appendix.

3.2 ABOUT THE STAFFING STUDY

3.2.1 Purpose

The range and scale of programs and funding streams administered by HCS increased significantly from 2018 to 2022. At the same time, the staffing size and structure have not been formally reviewed or substantially changed during this period. For example, during the five-year period of 2018 to 2022 the staff only increased by five positions (21 to 26 approved staff, a 24% increase) whereas the HCS year-end budget more than doubled ($21M – $52M, a 152% increase).

The City's increasing high-priority housing and homelessness objectives coupled with HCS' staffing challenges brought the need to evaluate the division's current staffing size and structure. For more details about HCS current challenges please see the Appendix.

3.2.2 Scope

The City engaged VIVA Consulting, LLC (VIVA) in March 2022 to conduct a staffing study that would inform an updated HCS staffing plan better aligned with the division's responsibilities. This staffing study was designed to address the following questions:

- How well is HCS meeting the high priority objectives of the City in terms of its housing and homelessness programs? What impact does its current staffing have on its successes and challenges in this regard?

- How well is HCS meeting its regulatory oversight/compliance of the programs it administers with its current staffing? Where are there gaps?
- What is the optimal balance between "generalist, specialist, and support" roles/positions as the programs and their regulatory requirements continue to grow and evolve?
- What can HCS learn from a survey of staffing models of peer municipalities with similar program and fund administration?
- What are the optimal number of positions and structure for HCS in the short term (1-3 years) and long term (5-10 years)?

3.2.3 Methodology

The staffing study structure and data collection methods are described below.

3.2.3.1 Reviewing key documents

- Detailed overview of HCS in memo prepared by HCS' Manager identifying:
  - The City's structure
  - HCS' mission, scope, unit responsibilities
  - Recent changes impacting workload
  - Challenges
- Key documents related to HCS' structure and responsibilities (sample listed here):
  - Organization charts of HCS and HHCS
  - City Council timelines and schedules
  - Process documents (e.g., contracts, audits, budget process)
  - Policies and procedures
  - HCS' budget and finance
  - Job descriptions

3.2.3.2 Establishing the HCS Organizational Planning Committee

HHCS' Deputy Director, Manager, and unit leaders served as the Organizational Planning Committee for the study. They met regularly with VIVA on the planning process and timeline for the engagement. The committee discussed, reviewed, and approved questions to be used in an online HCS staff survey and subsequent one-on-one video interviews with senior HHCS and HCS staff as well as other City and external stakeholders.

3.2.3.3 Engaging all HCS staff in a survey about HCS organizational design

The planning committee engaged all division staff in offering their opinions and ideas about HCS' organizational design in an anonymous survey as a part of this staffing study. VIVA designed and the planning committee reviewed, edited and approved it. VIVA administered the survey in May 2022 and its results were shared with the planning committee and all HCS staff. The results are detailed in Section 4.1.

3.2.3.4 Interviewing HHCS, HCS, City staff, and stakeholders

Another important element of the study was to conduct 13 one-on-one interviews with City staff and stakeholders with particular insight into current staffing practices at HCS. Interview questions were reviewed and approved by the planning committee. Interviews were conducted in June 2022 with staff from HHCS' Office of the Director (three staff), HCS' Leadership Team (HCS Manager and five unit managers), the City Attorney's Office (one staff), the City Manager's Office (two staff), and the local affordable housing developer, Resources for Community Development (RCD) (one staff). The results are detailed in Section 4.2.

3.2.3.5 Interim summary report and identification of key questions for peer review

The results of the document review, work with the committee, the staff survey and the staff and stakeholder interviews were summarized in a PowerPoint interim report dated June 30, 2022 that was presented to the committee. This report helped inform the questions created for interviews with peer jurisdictions.

3.2.3.6 Peer jurisdiction interviews and report

The committee identified seven municipalities[1] who responded to a request for an interview by VIVA regarding their housing and community services' staffing practices. After reviewing and receiving approval from the committee on the questions to be asked, VIVA conducted 45- to 60-minute interviews In July and August 2022 with these municipalities' housing and/or community services staff on how they are organized, including challenges and best practices. Key findings from the interviews are detailed in Section 4.4.

3.2.3.7 Planning sessions with HCS staff and the HCS Organizational Planning Committee

During September and October, a series of working sessions were held with VIVA and HCS staff to address issues identified in the survey and stakeholder and peer interviews. The goal was to create a recommended organizational design for HCS. Topics and guiding questions included:

- Working Group I, Sessions 1 and 2, August 2022
    - Staffing goals and projections
    - What should we be doing that we're not?
    - How can staffing vacancies be filled more quickly?
    - Should we plan on regular, ongoing staffing vacancies?
    - Can we create staffing metrics for what we do?
- Working Group II, September 2022
    - How should HCS be organized?
    - Two breakout rooms for brainstorming new organization designs
- Working Group III, October 2022
    - Review of organizational goals established at staff retreat in mid-October
    - Review of recommended org design with four units

[1] Peer municipalities interviewed included: Alameda, Hayward, Irvine, Oakland, San Francisco, San Jose, and Santa Cruz

4 STAFFING STUDY RESULTS & KEY FINDINGS

This section details the results of:

- Staff growth as compared to budget and program growth (Section 4.1)
- The staff survey (Section 4.2)
- HHCS, HCS, City staff and stakeholder interviews (Section 4.3)
- Peer jurisdiction lessons learned (Section 4.4)

4.1 GROWTH RATE – STAFF VS. BUDGET, PROGRAM EXPANSION, AND COUNCIL REFERRALS

Over the last five years (FY 2018 – FY 2022), HCS' approved staff grew by 24%, but the division continues to operate well below its budgeted staffing levels. The division's vacancy rate averaged 15% over the past five years, and peaked in FY 2021 with a 25% vacancy rate. Chronic vacancies have resulted in a strain on deliverables, program delivery, and existing staff. Additionally, in FY 2022, 15% of HCS' FTE's were temporary, making them harder to fill and harder to retain once filled. Enduring vacancies of approved permanent and temporary staff have negated any gain in approved staff.

Tables #2 - 4 illustrate how approved staffing increases are modest compared to the division's increases in funding, number of funding sources, work complexity, program expansion, and council referrals. This is seen in the division as a whole, and is particularly acute in the Housing Development and Homeless Services units. This increase in funding and programming also impacts the Community Services unit that handles contracting and compliance for the division, as well as the HCS' administrative unit and the department's administrative and fiscal division responsible for all of the administrative, operations and fiscal functions.

Table #2: HCS Staff Growth

	2018	2022	Percentage Change
HCS Staff Size (budgeted)	21	26	+24%[2]
HCS Staff Vacancies	2	6	+200%
HCS Staff Size (actual)	19	20	+5%
HCS Temporary Positions	0	4 (of the 26)	*Undefined*

* Due to internal promotions of career status staff into temporary position and the corresponding trickle-down effect of temporary position status, HCS currently has 9 temporary positions in 2023, or 31%.

[2] Staffing increases began in 2020 but was negated by chronic and recurring vacancies.

Table #3: HCS Budget Growth

HCS' Budget	2018	2022	Percentage Change
HCS Budget	$ 21M	$52M	+152%
# of Funding Sources	20	27[3]	+35%
HCS' Budgeted General Funds	$2.1M	$12.3M	+477%
HCS' General Funds for Personnel	$1.8M	$1.1M	-36%
HCS' General Funds for Programming (Non-personnel)	$0.4M	$11.2M	+2837%

Table #4: HCS Program Growth

Example 1: Housing Trust Fund Program Growth	2018	2022	Percentage Change
Funds awarded through Housing Trust Fund RFP	$ 1.3M	$ 21.4M	+1546%
Projects in predevelopment and development	7	19	+171%
Housing Trust Fund Units (including pipeline units)	1199	2193	83%
Housing Trust Fund portfolio: 1467 units completed; 736 in predevelopment or development			
Example 2: Homeless Services	**2018**	**2022**	**Percentage Change**
Funds awarded to homeless services via community agency contracts	$4.1M	$16M	+288%
Homeless contracts	13	17 (21 in FY 2023)	+31% (+62%)
Shelter Plus Care Participants	172	310	+80%
Example 3: Below Market Rate Program Growth	**2018**	**2022**	**Percentage Change**
Below Market Rate (BMR) Program units	427	534 (+47 units in the pipeline)	+25%

In addition to the chart above, HCS has had an average of 50 Council items it has put forth on an annual basis. Some of these are routine items, but many are related to special referrals, projects, commission companion reports, program updates and policy issues. Additional information related to the increase in HCS' budget can be found in Appendix 8.3.

[3] Increases in funding sources include local funds from U1, Measure O, Measure P and have resulted in millions of dollars managed by HCS staff. Increases in grant funding in response to the COVID-19 pandemic are also represented in this chart, as well as new State sources for affordable housing, including PLHA and LHTF.

4.2 Staff Survey Results

22 HCS staff (91%) participated in an online survey administered in May 2022. The staff survey contained a mix of open-ended as well as ranking and rating questions. The survey provided details on the impact that understaffing (both in types of staffing and chronic vacancies) coupled with inefficient/ineffective processes and tools has on division workloads and performance.

Highlights from this survey include the following:

- 52% of the respondents worked in the division for three years or more, 48% for three years or less.
- HCS was highly rated as a good place to work with strong supervision, collaborative culture, appreciated staff, and the ability to execute complex projects.
- 60% of staff feel very challenged to complete their work efficiently, thoroughly, and timely.
- Burdensome or stressful workloads are caused by the City's ambitious priorities and timelines and its cumbersome processes/tolls (e.g., chronic staff vacancies, time-consuming/duplicative compliance/contracting, inadequate training, reactive backfilling for vacant positions, outdated software/systems).

A full summary of the results is available in Appendix 8.6.

4.3 HHCS, HCS, City Staff and Stakeholder Interviews

One-on-one interviews were held in June 2022 with 13 HHCS, HCS and City Manager's Office leadership and/or senior staff with particular insight into current staffing practices at HCS. The interviews were designed to elicit opinions on topics including the results of the staff survey, current practices best suited for revision, upcoming priorities, capacity of staff to adapt to change, program and funding characteristics and their impact on planning, the impact of change on retention, and training.

Highlights from these interviews that informed the staffing study and its recommendations include the following:

- One-on-one interviews with non-HCS staff echo themes of staff survey: HCS has a huge volume of work and are great to work with, but are "grossly understaffed," and HCS "punches above its weight".
- The City has historically been a premiere employer regarding salary, but is now vulnerable to staff turnover and changing workplace culture.
- City priorities and programs are valued, but some of the City processes remain cumbersome and overly administrative.

A full summary of the results is available in Appendix 8.7.

4.4 Peer Jurisdiction Lessons Learned

VIVA Consulting interviewed staff in seven municipalities familiar with their jurisdiction's housing, homeless, and community services staffing practices. While the committee had crafted specific questions that would provide comparative data, it turned out that no two municipalities organize their housing, homelessness, and community services in the same way. This made it impossible to develop any meaningful FTE or organizational design comparisons between agencies. A detailed analysis of how each municipality organizes these services was beyond the scope of this study. Therefore, the decision was made to report on staffing issues shared by HCS and the municipalities, with an emphasis on how others had addressed them successfully.

Highlights from these interviews that informed the staffing study and its recommendations include the following:

- All jurisdictions have had explosive growth in housing and homelessness demands and financial allocations without accompanying staffing re-alignment.
- Other jurisdictions have similar challenges in filling vacancies, but not as severe as HCS has experienced. Some jurisdictions are more able to actively engage with HR in filling vacant positions.
- Staff recruitment and retention strategies in other jurisdictions include peer learning and cross training, training, work-from-home flexibility, and entry level positions with growth opportunities.
- Some jurisdictions develop metrics for increasing staff alongside program and funding expansion, such as layering a 10% administration fee on to all council-approved program funding to pay for additional staffing and corresponding operating costs.

A full summary of the results is available in Appendix 8.8.

4.5 Key Findings

This study set out to answer each of the questions framed in Section 3.2. The questions and key findings are provided in detail below.

- **How well is HCS meeting the high priority objectives of the City in terms of its housing and homelessness programs? What impact does its current staffing have on its successes and challenges in this regard?**

HCS's staffing model and count to project/program ratio is unsustainable. The staff surveys and interviews with division staff, other City staff, and stakeholders consistently gave HCS high marks for its professionalism, responsiveness, timeliness and problem-solving skills. The quality of its work, passion and commitment to the division's mission were highly praised. The department and division fosters a collaborative work style that staff acknowledges and values. However, due to a variety of factors including strict funding, chronic vacancies and high workloads, many staff have become fatigued. The survey showed that 41% felt their workload burden was just right while 59% felt they either had more work than they could comfortably handle or were overwhelmed

The willingness of current employees to take on more work consistent with their values is admirable, but not sustainable. Expanding complex workloads, often dealing with traumatic and difficult situations and populations, leads to long-term burnout and eventual turn-over. It is not conducive for a productive and stable work environment.

- **How well is HCS meeting its regulatory oversight/compliance of the programs it administers with its current staffing? Where are there gaps?**

HCS is lacking the administrative structure and software supports to best meet regulatory and compliance requirements. HCS staff focus heavily on compliance and project implementation. Staff perform these duties well, but their abilities are limited and/or stretched by increasing workload. These functions, while necessary, are often described as antiquated and inefficient both in process design and in software tools resulting in a burdensome process.

For example, there is limited additional capacity for growth in the affordable housing portfolio. The City's affordable housing portfolio, in particular, is exponentially growing. The HTF portfolio has nearly doubled since 2010, with the addition of over 1,100 units. The BMR portfolio followed a similar trend, nearly doubling size with the addition of 225 units. Two monitors are assigned to manage a portfolio near 2,000 units that continues to grow. Maintaining stagnant staffing will not allow for the oversight the City and public expect, as well as the requirements of State and Federal funders, with the current staffing and software available. Staff identified the contracting process as the most onerous part of compliance, as taking too long and often requiring time-consuming amendments.

Additional administrative support and software/process upgrades are considered in the updated HCS design and staffing plan.

- **What is the optimal balance between "generalist, specialist and support" roles/positions as the programs and their regulatory requirements continue to grow and evolve?**

HCS, as well as peer organizations, have mixed views and practices with "generalist" positions (positions with a broad range of responsibility across a program with general expertise in all areas) or "specialist" positions (positions with a narrower range of responsibility within a program but more extensive expertise in the area of responsibility). Due in part to its broad range of content across the division, the 5 work units in HCS have become increasingly siloed. In addition, some programs require a high level of technical expertise, such as housing development project management, housing policy development, homeless services programming, and HUD compliance.

At its current staffing levels, HCS is lacking in both generalists and specialists, but in different ways. For example, HCS has long lacked a centralized administrative unit that can help streamline and centralize processes across all unit. HCS also lacks entry level program support positions that would allow for a more general level of program support with the opportunity to develop specialized training overtime. And while HCS has strong specialists across the division, primarily from longer term staff who've developed the technical expertise, the current labor shortage has made it difficult to recruit and hire staff with the level of technical expertise required to meet the expanding demands of the division. As HCS continues to grow, the complexity and requirements of the new programs it is asked to administer will be key in determining the appropriate mix of staff skills and positions.

Therefore, the HCS leadership should remain vigilant in continuously aligning its programming and staffing needs. HCS needs to poise itself with its organizational design to be nimble enough to embrace the City's next bold homeless and housing initiatives while continuing to deliver high quality outcomes with its current programming.

Additional administrative support (generalist) and program staff (supervisory and entry levels) are considered in the updated HCS design and staffing plan.

- **What can HSC learn from a survey of staffing models of peer municipalities with similar program and fund administration?**

Each of the seven municipalities interviewed organized their housing and homelessness services differently. Therefore, the lessons learned focused on staffing issues HCS shared with them and how they addressed them. They are summarized in Section 4.4 and detailed in Appendix 8.8.

It is important that HCS periodically communicates its scope and capacity to City leadership. As the City continues to prioritize housing, homelessness and community service programs, HCS should continue to assess its organizational structure, staffing capacity, staffing needs, and ongoing operational support needs to ensure sustainability.

Specific recommendations related to the staffing study conclusions are presented in the recommendations section of this report. These include converting six temporary staff to permanent, and adding seven new staff at several levels in a phased plan while simultaneously restructuring the division to better meet its functional needs.

5 Prioritization of Findings

5.1 Priority and Design Working Groups

After reviewing the findings from the staff survey and interviews, as well as the lessons learned from the peer jurisdiction interviews, it is clear that HCS is responsible for many important and high-priority programs and that Berkeley has a unique approach and organizational structure. HCS implements these programs with limited staff, a high degree of professionalism, and a desire to continue to deliver quality work that reflects best practices in the fields of housing and homelessness. Limited resources have challenged but not defeated HCS.

VIVA and HCS held several Working Groups to discuss and identify the most critical themes and goals informing HCS' future. These themes and goals were then prioritized through a dot-voting activity during an All HCS staff meeting in August 2022. A few of the highest priorities identified by staff include:

- Retain existing employees, partially by increasing administrative support for HCS and providing cross-training and new learning opportunities.
- Promote job satisfaction and staff-led innovation. Staff are committed to the work and want to be innovative and creative but currently lack space and time to do so in existing workloads.
- Clarify HCS' mission and vision in serving the community and identify parameters for new work to ensure alignment.
- Enhance administrative support for greater efficiencies.
- Retain and enhance a compliance and contracts specialist.
- Proactively prepare for staff vacancies by establishing NTE consultant contracts.

A full list of priorities is available in Appendix 8.9.

In September 2022, an All HCS Working Group, informed by the identified priorities, brainstormed organizational designs and staffing needs. In October 2022, this was followed by a Leadership Working Group to finalize priorities and discuss feasibility of various designs and staffing needs.

5.2 Final Guiding Principles and Goals

All of the work from Sections 4.1 – 4.4 resulted in the identification of overarching goals and outcomes that inform the final organizational design and staffing recommendations found in Section 5.

The overarching goals and outcomes guiding the proposed design and staffing plan are as follows:

- Account for the current reality of chronic staffing vacancies.
- Become both nimbler and more flexible by breaking down current unit silos. This will aid in both staffing vacancies and shifting priorities, as well as create opportunities for learning leading to increased job satisfaction.

- Create increased opportunities for staff growth and fulfillment. This will allow for staff at all levels to be engaged, have new learning experiences, have increased job satisfaction and will ultimately aid in employee development and retention.
- Strengthen administrative support and overall capacity to deliver high quality, timely outcomes.
- Assure sustainable and equitable workloads, program oversight, and balance of supervision to allow for some time dedicated to innovation, quality improvement, growth, and professional learning.

6 NEXT STEPS

Affordable housing, homelessness and serving the lowest-income residents of Berkeley will continue to be a priority for the City of Berkeley. This study acknowledges that the recommendations set forth are bold and will require additional funding and department and city-wide negotiations. A fiscal analysis will need to be conducted and provided to the City's leadership for consideration. A phased approach is recommended and will likely be more manageable from a fiscal and human resource perspective. This report in intended to be a point in time study for HCS. The division, and the larger HHCS department, will need to continue to reassess staffing needs at points of additional funding, projects and prioritizations. Developing staffing metrics and revisiting these on a semi-regular basis will be key in assisting in this on-going staffing analysis.

7 APPENDIX

7.1 Housing & Community Services: Scope of Work and Programs

HCS works on four high priority policy/program areas for the City:

- 1) affordable housing (development and policy);
- 2) homeless services;
- 3) community services; and
- 4) labor standards and enforcement programs.

Thus, the division's content expertise and responsibilities span multiple program areas. These include, but are not limited to, affordable housing development, housing policy, affordable housing programs and regulations, homeless services, contract monitoring, labor compliance, tenant relocation administration, community facility rehabilitation, leases of City property with non-profits, a single-family rehabilitation program for seniors and the disabled, the compliance associated with state and federal funding sources, and management for a large portfolio of affordable housing assets. In addition, HCS administers a competitive $10M+ funding process every four years with agencies providing a wide range of services that span across multiple divisions and departments, such as food programs, homeless services, job training, healthcare services, drug and alcohol treatment, disability services including emergency services for severely disabled, legal/advocacy services, youth services, and aging services.

<u>Summary List of Division's Scope of Work</u>

- Affordable Housing Development Loan Programs (coordinating federal, state and local funds)
- Affordable Housing Asset Management (non-profit affordable and Below Market Rate inclusionary units)
- Below Market Rate Program (processing applications, fees, and Regulatory Agreements)
- Housing policy development and implementation
- Condo Conversion fee implementation
- Coordination with Planning and other departments on special projects
- Coordination with City Attorney's Office on contracts, agreements, and special projects
- Management of City's redevelopment portfolio and outstanding retired housing program loans
- Federal Environmental (NEPA) review for federally funded projects
- Public Facility Improvement and Housing Rehabilitation Projects (grants/loans and associated project management)
- Senior & Disabled Home Rehabilitation Loan Program (SDRLP) administration
- Home Rehabilitation Grant Contracts (Habitat for Humanity, Center for Independent Living and Rebuilding Together)
- Community Services (non-homeless) Contract Administration (federal, state and locally funded)
- Labor Compliance, Employment Program Administration (local Minimum Wage, Living Wage, and Paid Sick Leave Ordinance enforcement)
- HUD Compliance (for ESG, CDBG, and HOME)
- Homeless Services contract management (federal, state and locally funded)

- Homeless Services development and implementation Shelter Plus Care Voucher Program Administration
- Staffing three commissions (Labor, HAC, and HWCAC)
- Relocation ordinance administration

Commissions

HCS directly staffs three of the seven commissions in HHCS (of the 33 in the City). These are the Human Welfare Community Action Commission (HWCAC), the Housing Advisory Commission (HAC), and the Labor Commission. Both staff and commissioners agendize items for the commission's consideration. There are regular administrative tasks associated with being a commission secretary. These include developing, preparing, posting and distributing the agenda packets, fielding inquiries from the public about commission items and meetings, staffing the meetings, preparing action minutes, and preparing companion reports. HCS commission secretaries conduct all of the above activities due to lack of permanent administrative infrastructure in HCS.

In addition, HCS staff routinely agendize and present items to other commissions and committees outside of HCS, including the Homeless Panel of Experts, the Planning Commission, the 4x4 Committee, the 3x3 Committee, the Land Use, Housing, and Economic Development Committee, the Budget and Finance Committee, and the Parks, Recreation and Waterfront Commission.

City Council

HCS works on several high priority goals for the City including two areas that are recognized as a state-wide crisis: affordable housing and homelessness. As a result, HCS staff are often tasked with responding to referrals from the City Council for information or recommendations on new and existing policies and programs. In FY 2020, HCS staff had over 60 Council items. The number decreased during the COVID-19 pandemic because commissions were paused to varying degrees and Council and staff were required to shift to Emergency Operations, but expectations of high-level output has resumed.

Cross-Departmental & Cross-Division Collaboration

HCS' work requires extensive cross-department and cross-divisional collaboration. This shows up in the following key areas:

1. Housing Policy: The Planning Division resides in the Planning and Development Services Department, but is the lead division for several key housing policies, including the Housing Element of the General Plan, the City's Inclusionary and Density Bonus Ordinances, and the Condo Conversion Ordinance. Planning and HCS each play key roles in implementing these policies and collaborate together to process applications, reports, and state mandates efficiently. This work also requires collaboration with the Rent Stabilization Board, which shares many resources with the City and reports to an elected board.

2. Compliance, Community Agency Funding and Contract Administration: HCS staff administer and coordinate a $10M+ Request for Proposals, including programs and commissions that are staffed outside of the division. HCS also administers several contracts that fund services outside of the division's scope, including contracts that fund public health services, mental health services, senior services, legal services and more. HCS also administers several contracts for disability services, including one with very high-profile local Measure E funds.
3. Homeless Services: HCS' Homeless Services staff has a strong collaborative relationship with Neighborhood Services in the City Manager's Office, which coordinates the City's Homeless Response Team and directs Homeless Policy. HCS' Homeless Services also overlap with several other divisions within HHCS, including the Mental Health Division and Aging Services. Responsibility for homeless policy coordination and the Homeless Services Panel of Experts Commission were held by HCS until about a year ago when they were assumed by Neighborhood Services.

7.2 Housing & Community Services' Staffing

HCS is experiencing chronic vacancies in both permanent and temporary positions. Temporary positions began in FY 2021 and 2022. The division's initial request for additional permanent staffing was filled by creating temporary positions using the significant increase in temporary federal funding received during the COVID-19 pandemic. City leadership requested a staffing study prior to making any positions permanent. Four temporary positions were added in FY 2022, 15% of the total HCS approved positions. This trend has continued into FY 2023.

	Approved # of Staff	# of Vacancies	Vacancy %
2018	21	2	10%
2019	21	0	0%
2020	25	3	12%
2021	24	6	25%
2022	26	6	23%

7.3 HCS/HHCS Year-End Budget FY 2018 - 2022

In FY 2022, HCS had a year-end budget of $50M (with $4.1M for personnel) and comprised of 27 different funding sources, all with unique and complex requirements. HCS relies heavily on grant funds, special funds, fees and program income. Between FY 2018 and FY 2022, only 25% of the HHCS budget came from General Fund, with the remaining 75% comprised of grant funds, program income, etc. The same trend is true for HCS, except that General Funds are an even smaller percentage at only 17%, with 83% of the budget coming from grants, direct federal allocations, program income, etc.

HCS' allocation of General Funds for staffing has decreased compared from FY 2018 to FY 2022, but the division is now responsible for administering an increased amount of General Fund supported programming. General Fund support spans all of the HCS programs including but not limited to contracts, homeless services, housing development and policy. This ongoing trend is limiting HCS ability to properly serve its expanding responsibilities in the City's high-priority, high-needs areas. The division will be forced to limit and compromise implementation and monitoring of multiple programs to keep up with added demand.

Contract monitoring staff in HCS administer multi-year contracts with over 50 agencies operating nearly 90 programs. These staff span both the Homeless and Community Services units. Contracts range in size from $5,200 - $6.5M annually, include a small handful of professional services contracts, and three to seven ad-hoc, Council-prioritized contracts. More than a third (36) of the entire contracting portfolio support homeless services. This includes contracts, program development, and homeless related emergency response. From FY 2018 - 2022, homeless services programs saw the highest growth when contract funding increased from $4.1M to $16M (a 288% increase).

In 2023, Affordable Housing Development staff are managing an active development pipeline of 19 affordable housing projects at various stages of development (940 units) with commitments of over $128M, alongside an existing portfolio of 1,397 units. This is up from eight pipeline projects in 2018.

A lean team of administrative and fiscal staff supports all of the staff and fiscal needs associated with this robust programming. These staff sit both inside HCS' Administrative unit and in the HHCS Administrative and Fiscal Division.

7.4 Recent Changes Impacting Workload

As noted previously, HCS is working on two high priority areas for the City: Affordable Housing and Homelessness. The biggest driver of increased work for HCS is the unprecedented escalation of the state-wide housing crisis that has acutely impacted the Bay Area, as well as a socially-motivated City Council and community which expects the City to take progressive action. Berkeley has a very active and progressive citizenry that have supported local revenue measures to address the housing and homelessness crisis.

The COVID-19 pandemic also resulted in an influx of more than $14M of local, state, and federal funds to house/maintain housing for Berkeley residents with new program regulations and strict spenddown times. Berkeley has some unique characteristics that have impacted the workload even more than many other cities its size during this time:

1. Berkeley is a leader in progressive housing policy and program development. For example, Berkeley was one of the first cities to adopt an inclusionary housing ordinance and rent stabilization. As a result, HCS supports the range of policies and programs that much larger cities, like San Francisco, have but at a vastly smaller scale. Staff are currently supporting the development of affordable housing preferences, a Tenant

Opportunity to Purchase Act (TOPA) ordinance, and a social housing pilot among other Council referrals.

2. Berkeley has a robust range of housing policies that are administered across several entities, including the Rent Stabilization Board (elected board), the Housing Authority (Council-appointed board), the Planning and Development Department, and HHCS.

3. Berkeley is a direct recipient of four programs from the Federal Department of Housing and Urban Development (HUD): CDBG, ESG, HOME, and Shelter Plus Care. Three of the four programs received substantial increases in funding through the CARES Act and American Recovery Program Act (ARPA) for director response to the COVID-19 pandemic. Berkeley received $6.7M in ESG-CV to be 100% spent within two years (Sept. 2022), $2.5M in CDBG-CV to be 100% spent within six years, and $2.7M in HOME-ARP funds to be spent within eight years. All of these funds came with new program rules, regulations, guidelines and required substantial amendments to existing plans.

4. Berkeley is a direct recipient of federal Community Services Block Grant (CSBG) funds passed through the state of California, which revived a nearly 180% increase of CARES Act funds during the COVID-19 pandemic.

5. Berkeley has a progressive and broad range of local labor standards to support the local workforce, including the recently adopted Fair Workweek ordinance scheduled for implementation in 2023.

6. Berkeley is in the process of planning for high density housing development at two major transit stations (North Berkeley and Ashby BART stations). This is a complex and high-profile project that has already involved more than two years of working with BART and the community on a Joint Vision and Priorities plan for the stations' future development. The City Council, Berkeley community, and BART are all aligned in their goal to increase affordable housing at the BART developments to the highest amount feasible. To facilitate this, City Council reserved $53 million (from the Measure O affordable housing bond and the affordable housing mitigation fee) to subsidize affordable housing at these two stations. This high-profile and time-intensive project requires a significant commitment of time and effort from HCS staff and the HCS Manager as well as the HHCS Director.

7. The influx of new funding through a bond measure and additional commitments of General Fund has profoundly impacted the workload for HCS. Appendix 8.3 shows the changes in the HCS' budget over the past five years. Major responsibilities include:

    a. Measure O, the City's $135M affordable housing bond passed in 2018. The total bond funds have since been either committed or reserved for affordable housing projects over the next 10 years, and substantially increased the workload for the Affordable Housing Development unit. Since the adoption of Measure O, only one new permanent housing development staff position has been created to support the impact of this substantial increase to HCS' Housing Trust Fund program. Projects currently in the development pipeline (including new construction and renovations with new affordability restrictions) represent a 61% increase in the City's portfolio of affordable projects.

b. Measure U1 is a tax on rental housing. Although it is a general tax contributing to the City's General Fund, the measure was adopted in 2016 with community expectations it be used for housing and anti-displacement programs. Revenue is tracked by the Budget Office and Council considers its uses year by year. Measure U1 funds support a portion of seven of HCS positions.

c. Measure P, passed in 2018, also supports the General Fund with a 1% increase on the transfer tax of real property over $1.5M. Measure P generates approximately $17M annually, and primarily supports homeless policy and programs. Measure P, combined with CARES Act funding, is largely responsible for the Homeless Services contracts increasing from $3.8M in 2017 to over $16M in 2022. Measure P will sunset in 2028.

d. In 2018, at Council's direction, the City created the Small Sites Program, a new housing development funding program designed to fund the acquisition and rehabilitation of properties up to 24 units and prioritizing community land trusts for this work. It is supported largely by General Funds and Housing Trust Funds. The City has two local community land trusts that have limited capacity and operating challenges. This requires a more significant investment of staff time to support the community land trusts and ensure the City's investments are secure and the projects succeed. The two projects funded through this program to date require staff time and technical assistance far in excess of other HTF projects with no additional staff resources allocated to HCS. Current staffing cannot support an expansion of this program due to the intensive staff work required.

7.5 OTHER CHALLENGES FACING HCS

The articulated increase in workload, high volume of work, commissions, Council reports, staff vacancies, and requirements to re-prioritize and shift high-profile projects without an adequate increase in staffing has resulted in some significant challenges for HCS. In addition, there are other organizational issues that have impacted HCS. The primary challenges HCS faces include:

1. Staff stress and burnout, increased anxiety, and feelings of being continuously overwhelmed. This is a major concern for performance and morale as well as turn-over given the difficulty filling vacancies, particularly those requiring specialized housing finance skills, and training staff in complex programs.

2. Lack of capacity to properly respond to work referrals and/or work referrals without thorough analysis of necessary staff resources.

3. Insufficient training and professional development opportunities: High workload and lack of capacity impacts staff's ability to take time for skills training or other professional development opportunities.

4. Insufficient administrative support: the division comprises primarily professional and management staff with very little administrative support. Historically, the only administrative support position in HCS has been an Office Specialist position that primarily supported Youthworks. The position remained in HCS when Youthworks transitioned out, but has long been vacant. The recent addition of the temporary SMA provides much needed support for the HCS Manager and centralized administrative processes; but the units are also in need of administrative support.

5. Workflow bottleneck issues at the Senior Staff and HCS Manager levels. Each of these staff are responsible for high volumes of work in a wide range of content areas. Staff need support and supervision while navigating a stream of high-profile, politically sensitive and technically complex assignments.

6. Ongoing vacancies combined with increasing breadth and depth of assignments leave insufficient capacity for sharing information and resources with the community, or for engaging the community outside of the Commission context.

7. Similarly, insufficient capacity to conduct regular employee evaluations, offer supportive training and team building for staff, and/or proper onboarding of new staff.

8. The availability of internal services provided by the City Attorney's office, Human Resources, Finance and IT have also been impacted by short staffing, increased workload, and therefor reduced responsiveness and slower processing times.

9. Difficulty recruiting staff with the relevant experience or the technical skills to administer HCS' often complex projects. Due to the housing crisis and influx of new development funding and new streamlining laws, housing development professionals are in high demand. Other affordable housing development entities have increased the salaries and benefits available, to the point where City salaries are not as competitive as they once were, and outdated classification titles are not especially attractive.

10. The City's housing staff classifications need to be updated to better address the current staffing needs. The City only has classifications for advanced and management level housing staff (CDPC's and Sr. CDPC's.), but none for entry level housing development staff. This limits recruiting and opportunities for internal advancement. The Community

Services Specialists (CSSI, CSSII, and CSSIII) series, also frequently used in HCS, has a more defined ladder.

11. Antiquated software and cumbersome City processes that prevent streamlined work and delay time-sensitive responses.

7.6 HCS' Staff Survey Results

What the HCS division does well

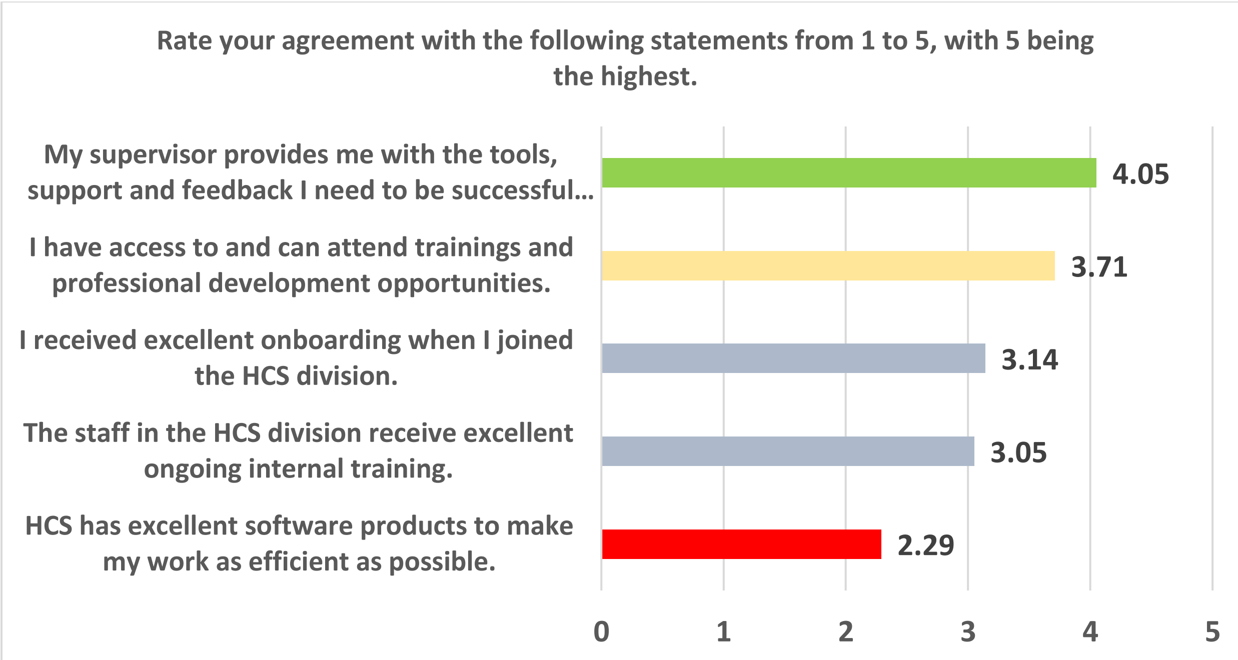
- Collaborate well, respond professionally and as quickly as possible in an environment of frequent change and priority shifts.
- Work well with community partners to meet needs of most vulnerable citizens.
- Manage large projects and produce effective outcomes.
- Problem solve, provide technical assistance to community partners.
- Bring passion and commitment to the division's mission.
- Deliver high quality programs.
- Ensure effective compliance monitoring.
- "*We get the homeless population off the streets and housed.*"

What the HCS division is challenged to do well

- Chronic staff vacancies can yield untimely and cursory responsiveness due to limited staff capacity.
- Many division processes are not well aligned with City and stakeholder priorities, timelines and needs.
- Contract processing is particularly time-consuming resulting in late execution of community contracts.
- Difficult to be responsive to urgent needs of multiple constituencies simultaneously, even with additional funding, given current staffing levels and organizational design.
- Workload burdens are greater on supervisors than other staff, but pay differentials are minimal. As a result, there is less incentive for staff to pursue opportunities to "move up".
- Absence of administrative support exacerbates the ability to readily integrate new priorities and efficiently use staff time.

Work environment: supervision, support, training, tools

<u>Summary</u>: Supervisory support is strong, external training is rated more highly than internal training, and software products need improvement.



Comments:

- While external trainings are available, staff do not feel empowered to pursue them given opaque budget standards, cumbersome registration processes, etc.
- HCS's specialty software (City Data Services, Elite) is not as dynamic as desired, particularly around reporting. Staff often spend time managing the software rather than the projects themselves. Other tools like Dropbox, Microsoft Teams, Sharepoint, Survey Monkey, project management software are not available to staff.
- Minimal training is provided to complete varied responsibilities.
- Onboarding happened six months after being hired. Benefits were not clearly and properly explained.
- Discrepancy is City policy makes more difficult. City wants employees to use Microsoft Teams but lack of ease/clarity of use on City-issued phones.
- Some improvement in policies and procedures has occurred, but still need continuous staff input and alignment with other regulations.

Work environment/retention

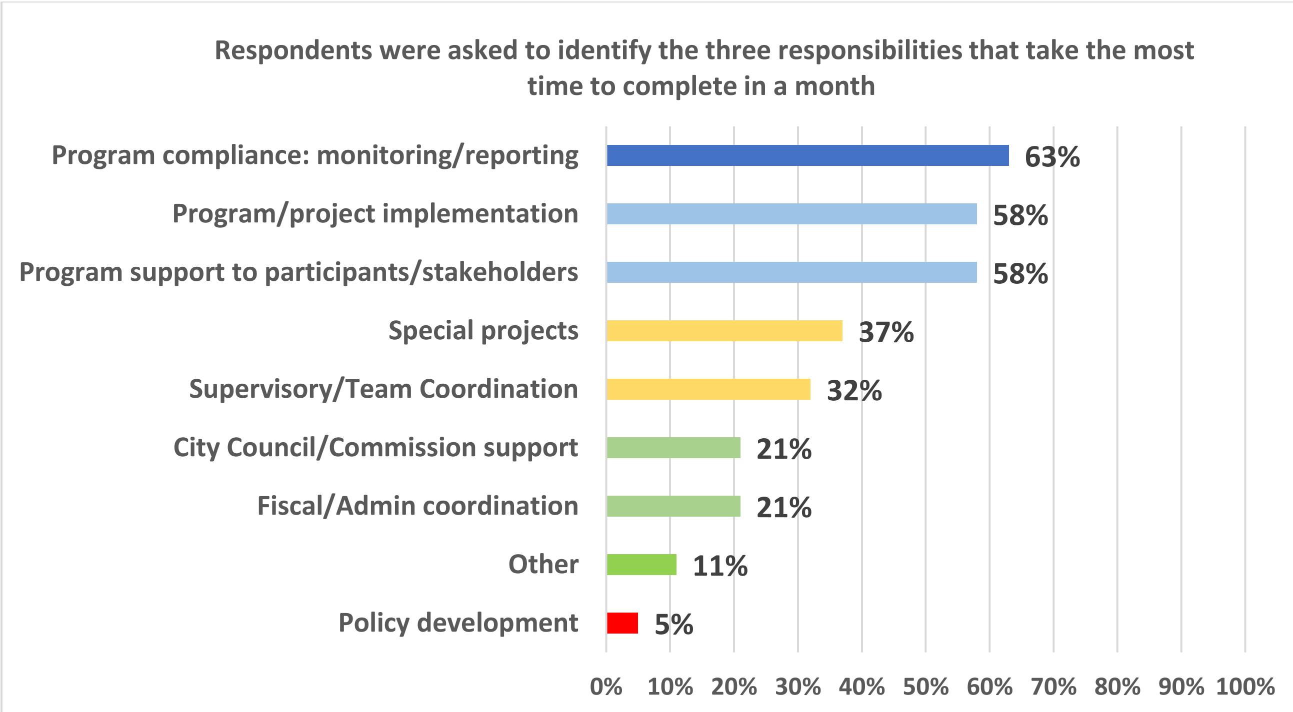
Summary: Staff feel heard. HCS is a good place to work. There are some opportunities for growth. But workloads need adjustment.

<u>Comments:</u>

- *"I love that my colleagues are mission-oriented to improve the lives of Berkeley's lower income and homeless populations."*
- *"My voice is heard, but we need better mechanisms to achieve greater efficiencies."*
- There are few opportunities for growth.
- Workloads dampen chances to work in other areas of interest.
- *"I would have a better work/life balance if there wasn't constant expectations to take on extra work."*
- *"HCS appreciates our staffing needs: it doesn't appear City leadership does."*
- COVID-19 pandemic's result to work from home has been a boon to many for greater efficiency. They appreciate the division's flexibility.

How time is spent

<u>Summary</u>: Most time is devoted to compliance, program/project implementation and program support to stakeholders. Little time is available for policy development. Nearly all responsibilities were found to have value for the time they required except program compliance: monitoring/reporting. Within this area **contracting was identified as most burdensome, takes too long, can require time-consuming amendments.**

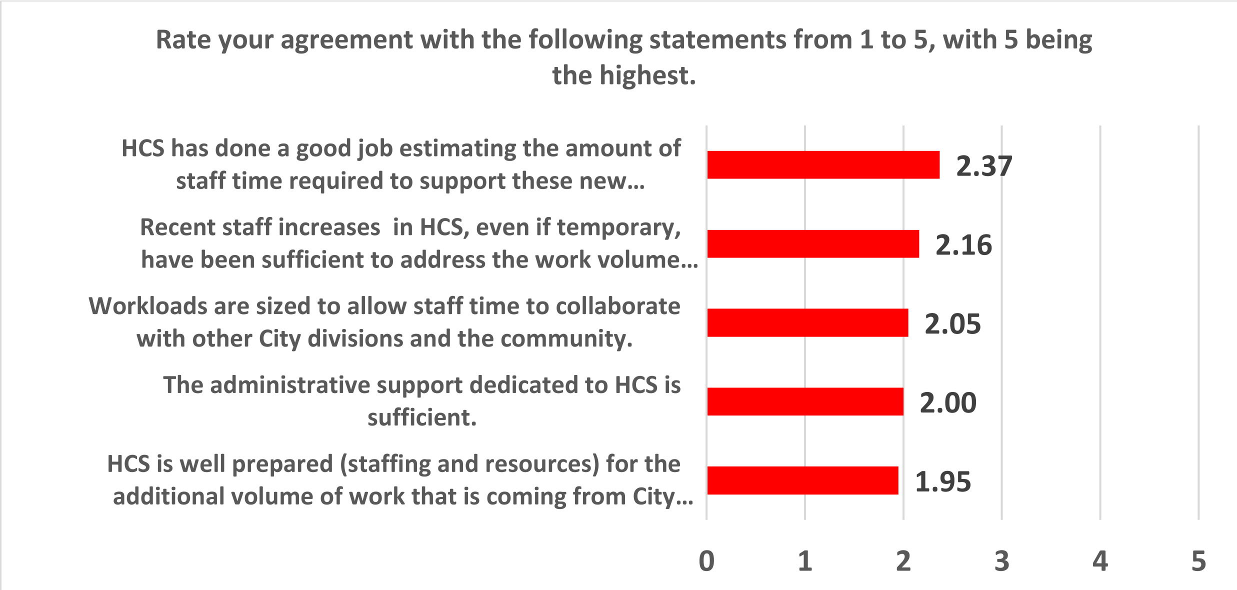


<u>Comments and recommendations:</u>

- It's not the responsibilities that respondents found inherently time-consuming. Rather, they identified excessive and cumbersome bureaucratic City processes that are inefficient. Examples included contracting, including their program amendments and monitoring.
- Respondents made the following **recommendations:**
    - Provide better training materials for participating entities
    - Acquire new software to manage loans and housing assets, compose reports
    - Institute dedicated, not contracted, IT support
    - Provide more administrative support for routing and other administrative duties

Staff workloads

<u>Summary</u>: Staff feel challenged to complete their work efficiently, timely and thoroughly. Staff workload questions received the lowest scores in the survey.

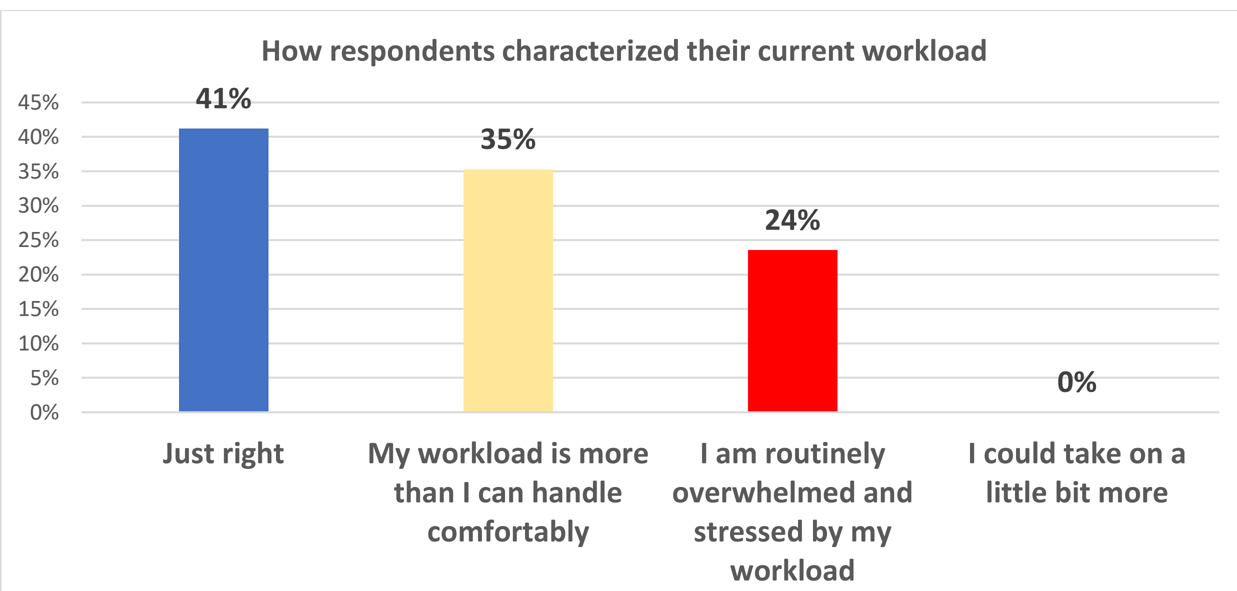


Comments:

- HCS knows what it needs, but needs a more streamlined and flexible hiring process to fill vacancies.
- Administrative assistance is also needed for website updates, Commission agendas, notary services, etc.
- Consider not just additional staff but interns to assist with data and special projects.
- Antiquated software is a major roadblock.

Workload burden

Summary: Nearly 60% of respondents report burdensome and/or stressful workloads.



Comments:

- Delegating work to others still requires oversight.
- Some respondents report an inconsistent workflow impacted by episodic, unpredictable nature of City and community partner demands.
- Some respondents report their workload is ok, but find themselves backfilling the recurring vacancies, thus creating a burdensome workload.
- Coming out of the COVID-19 pandemic is ramping up aspects of monitoring that were previously on hold.
- Lack of training means new staff are more reliant on supervisors.

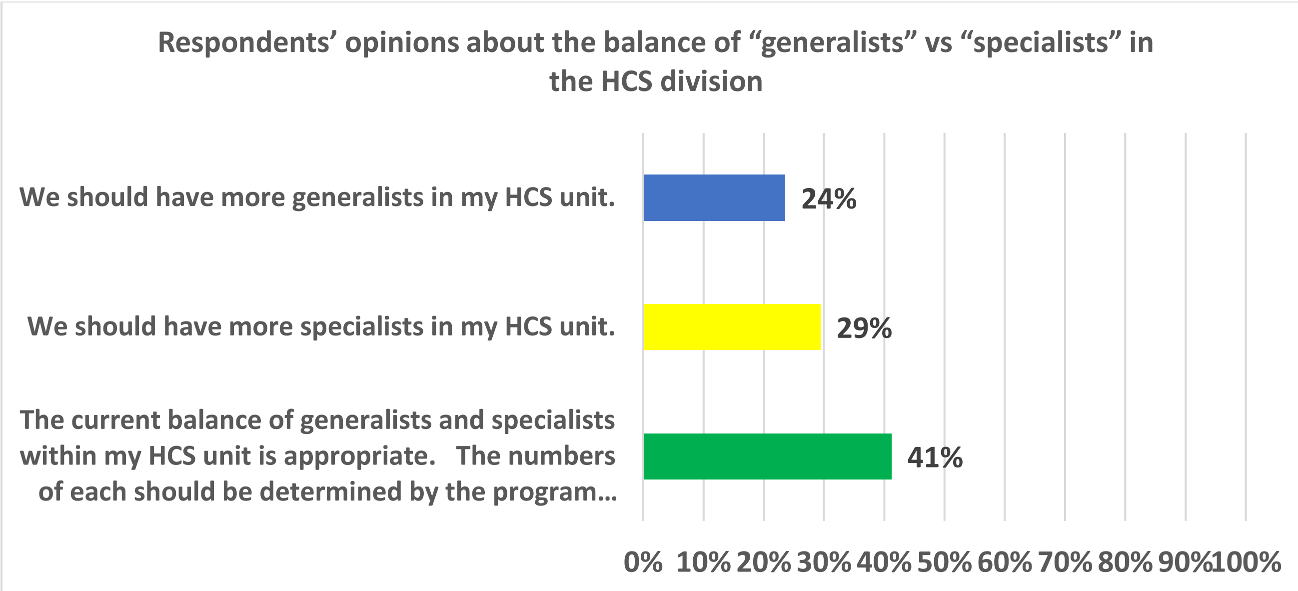
4.1.8. What's missing?

Respondents were asked what they would like to do (either more of or new) if they had more time.

- Improve/streamline internal policies and procedures
- Engage in more training/team building
- Learn best practices from other agencies/municipalities
- Work more with community members
- Develop healthier remote work environments
- Have a more proactive rather than reactive culture/style

"Generalist" vs "Specialist" positions

Summary: Respondents were mixed in their opinions when asked about the balance of "generalist" vs "specialist" positions in their HCS unit as the volume of programs and their regulatory complexity continues to grow and evolve. A "generalist" position would be one with a broad range of responsibility across a program with general expertise in all areas. A "specialist" would have a narrower range of responsibility across a program but more extensive expertise in that area of responsibility.



Final Thoughts

Respondents were asked to provide any final thoughts on how HCS is meeting the City's high priority objectives concerning its homeless and housing programs:

- HCS does great work, but the current pace is not sustainable. HCS could do more if staffed appropriately.
- HCS needs nimbler HR and administrative processes.
- HCS has a great working environment despite staffing challenges.
- Frustrating to see other departments/division get staffed and receive tech/software support when HCS doesn't.
- Housing and homelessness are high profile priorities for the City. HCS is a small, understaffed division trying to solve perhaps unsolvable problems. Proper staff and resources are needed to prevent burnout and help the City make its best collective effort to meet bold goals. We need to address these with time, attention and care, in addition to additional fiscal resources for staffing.

7.7 HHCS, HCS, City Staff and Stakeholder Interviews

7.7.1 HCS' strengths and challenges

HCS' Strengths and Challenges (from those who did not take the staff survey)

HCS Strengths	HCS Challenges

• Wonderful place to work; wonderful staff to work with
  o Smart, solution oriented
  o Strategic, great thought partners
• Admirable public servants: "*they work nights and weekends.*"
• HCS *"…punches above its weight."*
	• Huge volume of urgent work
	• *"Grossly understaffed"*
	  o There needs to be a more comprehensive discussion on hiring process, City-wide
	• Fixing a bureaucracy is intentionally difficult, but creates inefficiencies and frustration
	  o Outdated systems – e.g. paper timecards, no HR portal
	  o Loan docs take months, not weeks
	• City is no longer a "premiere" employer re: salary; vulnerable to staff turnover

7.7.2 Staff Survey Takeaways

Interviewees had been provided with a copy of the staff survey results. They were asked what their biggest takeaways were from it.

- No surprises. It affirmed areas where there is agreement:
  - Everyone dislikes the contracting process
  - People are positive about working in HCS
  - Everyone is frustrated about how long it takes to complete work
  - There used to be more administrative support
- Supervisors have more work volume than line staff
- There is alignment that the problem areas are:
  - Software
  - Processes
  - Lack of administrative support
  - Inability to fill vacant positions in a timely manner
- Biggest surprise
  - 40% found work volume was just right; thought that number would be lower

7.7.3 Recommended HCS revisions

The problems impacting HCS' staffing challenges are not unique to HCS. These include the cumbersome contracting process, inadequate technology tools, the City's hiring process. Many interviewees identified them not only as impediments to staffing, but to being efficient and timely with stakeholders. Nearly all of these examples were identified as "out of HCS' control." The recommendations offered here are those described within HCS' control.

- Incorporate a division staffing plan within a strategic/business plan that identifies goals and priorities of the division.
    - Current staffing practices/job descriptions are inflexible in addressing shifting/evolving workloads
    - Evaluate unit assignments/configurations
    - Divide work more equitable
    - Incorporate training
- Centralize some administrative functions
- Minimize the changes in staff "points of contact" for stakeholders, each of whom has to be brought up to speed on the same project – e.g., NEPA
- Consider a part-time position (perhaps in policy) to work with advocates and community groups
- Increase staffing to handle labor contracts with unique Berkeley rules
- Identify if any monitoring can be outsourced, like tenant-landlord relations
- Homeless funds go through HCS and the City Manager's office. Is this at maximum efficiency?
- Create metrics to advocate for HCS staffing with City Council
- Implement intentional cross-training
- Create narrower rungs (or tiers) between positions within the division; make it easier for staff to move up rather than move out
- Create more "administrative" positions
- Reduce the number of staff at meetings; there's not enough time to review the materials related to the meeting as it is!
- Review community funding process – current RFP process is cumbersome
- Create strategy for better communication with IT with solutions that clearly display how things work
- Review and revise where HCS and City contracting processes are duplicative
- Convert temporary positions to permanent
- Advocate for a salary compensation study that looks beyond the public sector
- Acquire more autonomy to market vacant positions

7.7.4 Programmatic and characteristics that impact staffing

Interviewees were asked to share their thoughts on the programmatic and funding characteristics of the division (e.g. flow of work and funds, deadlines, impacts of the COVID-19 pandemic, priority shifts) that impact creating a staffing model that is both efficient and effective.

- Number of funding streams has grown
    - Functions of the contract funding administrator role have been dispersed. Do we have it right?
- Work with agencies and nonprofits has shifted – there's less monitoring but more technical assistance that takes more time

- Technology shift from email to texting accelerates the pace
- 7% administrative fee for homeless housing positions in grants is insufficient to administer them
- It is not difficult to predict workflow per se. It's more about solving for staff vacancies, variations in staff performance, antiquated processes – all that we can't control. So reactive workarounds are creative.
- Delays in processing Council funding awards can impact recipients negatively. City's money doesn't go as far if recipients have to fill the financial gap between when funding is awarded and received on their projects
- While many shout outs are given valuing the City's priorities and programs, several identify the City as slower than its peers at implementation and the City's reputation can make it a tough place for the community partners to work.

7.7.5 Upcoming HCS programmatic priorities

Interviewees were asked to identify any other priorities HCS faces as it grows. These included:

- Need to predict what level of funding/programming that came with the COVID-19 pandemic will end/continue
- Need to be able to complete the 813 units in development/predevelopment pipeline
- Council is considering an ordinance to allow tenants to purchase buildings; they will need support and education HCS does not have capacity for and funding that does not exist
- City is considering seven local preferences for HCS to monitor that will require significant community outreach and more intensive and time-consuming application review
- The City's affordable housing portfolio is exponentially growing but the monitoring staffing is stagnant
- City is likely to convert large parking lots into affordable housing sites
- Top two of three taxpayer priorities reside in HCS: homelessness and housing
    - These are likely the areas of greatest ongoing growth for HCS

7.7.6 Upcoming HCS staffing priorities

Interviewees were asked to identify staffing strategies to address its growing staffing needs. These included:

- Hire more staff with real estate development experience (BART station projects are large)
- Accept the invitation and make a case to City Manager clarifying how staffing needs line up with division responsibilities and resources.
    - Consider the City allocates resources for programs on accelerated timelines without identifying additional staffing

- Consider making a recommendation for contracted HR support to accelerate hiring process
  - Outside counsel is hired to support the legal department
- Create a retention strategy for the division's "brain trust"
- Articulate DEI goals regarding staffing

7.8 Peer Jurisdictions Lesions Learned

7.8.1 Adopt proactive ways to fund increased staffing needs that align with the predictable, ongoing increases in their housing development, homelessness and community funding/programming:

- One City Council approved a 10% administrative set aside to their housing initiatives that has helped support additional staffing needs
- One City applies a specific tax on certain new housing projects that is allocated to addressing staffing shortfalls
- One City uses a "Strategic Road Map" with City goals that provides a way for City department/divisions to request additional staffing when additional initiatives are adopted
- Most do not have a metric for adding additional staff; requests for additional staff are most commonly made retroactively, when the demand has become acute, and often more than one position is included.

7.8.2 Among the peer jurisdictions interviewed, the HCS staffing vacancies take the longest to fill (12 months on average)[4]. Other municipalities attribute their ability to fill similar positions more quickly with the following strategies:

- Departmental/divisional staff take an active role in recruitment by posting openings on their personal professional media platforms such as LinkedIn and as well as with industry groups
  - One supervisor recruited three people he knew, extolling the division's culture and commitment to addressing the affordable housing crisis
  - Meet with HR daily
- The HR function is well-staffed
- There's an HR staff person working within or dedicated to the division/department
- Consultants are used as an intentional staffing solution or when staff have not been found; however, negotiations with unions may be required and consultants still need to be managed
- Strong candidates for housing development positions often come from recruiting them from housing developers
- Yet, even municipalities report that all positions are full, staff often feel they can't keep up with ever increasing demands; feel stressed
- Salary matters; smaller municipalities with higher salaries and lighter workloads have fewer staffing vacancies
- Other municipalities have become more flexible with salaries. Nonprofits used to be good candidates for municipal positions because municipalities paid better. No longer. Nonprofits are paying better to compete, particularly for housing development talent.

---

[4] Most municipalities reported filling staff vacancies in 3 to 5 months. None took as long as Berkeley except one that had a number of new positions. The sample municipalities have the same issues as HCS with lists, unions, temporary positions and internal processes.

7.8.3 Staff turnover accelerated during the COVID-19 pandemic. Municipalities reported the following staff retention strategies:

- Identify and facilitate trainings, peer learnings
  - Schedule specific, prescribed internal or external trainings
    - NDC training – now online
    - Merritt Capital
  - Make time available for staff to attend trainings and conferences; otherwise, they don't attend
- Provide work-from-home flexibility
  - Many municipalities became more flexible in providing work-from-home options since the COVID-19 pandemic
  - First question applicants ask is about WFH flexibility
- Create more entry-level positions (technicians, specialists, analysts, etc) who see a path for growth/promotion
- Create less specialized/restrictive job descriptions – but need training program for them. Creates loyalty.
- Hire for creative thinking ability and willingness to learn. High staffing vacancies mean existing staff have to fill-in for others. Another argument for less specific job descriptions.

7.8.4 Less specific job descriptions expand the applicant pool; make managing staffing vacancies easier

- Hire for creative thinking and flexibility. Ongoing staffing vacancies means existing staff have to fill-in for others. If jobs are too narrowly defined, some staff will not fill-in, creating excessive burdens on supervisors.
- Pace and complexity of work has changed/increased. Need job descriptions that adapt to this reality.
  - Some positions are so narrowly defined that staff are unwilling to "pitch in" when there is a staffing shortage
- Loosen education/experience requirements.
  - Recruit graduate students who can meet minimum qualifications

7.8.5 System upgrades are not keeping pace with the workloads

- Most interviewed complained about being unable to effect change in technology and how it makes them inefficient, especially with growing workloads.
- One municipality is investing $250,000 in system upgrades; *"We've been monitoring 5,000 units on Excel."*

7.8.6 Collaboration strategies have real benefits

- One municipality boasted its City Attorney is a "problem solver, not a bottleneck" who streamlined the contracting process. Many interviewed did not share this opinion, describing their contracting process as onerous, time consuming.
- Municipality's reputation effects recruitment; Berkeley has a reputation as being *"a tough place to work."*

7.9 HCS' Prioritized Themes and Goals For the New Structure and Staffing Plan

HCS staff participated in a dot-voting activity. The numbers in bold are the number of votes each strategy garnered from among the 19 HCS staff present on the day of the event.

7.9.1 Themes and goals to inform the draft HCS organizational designs

- Create a retention strategy that includes:
  - New opportunities/challenges/learning opportunities for existing staff **(7)**
  - Ways to garner staff feedback on staffing ideas **(7)**
  - Creating annual career plans **(6)**
  - Providing training opportunities across the division **(6)**
  - Identifying more entry-level positions from which staff can be promoted **(3)**
  - Revisiting healthy work initiatives (eg. HWE) adopted in the past **(3)**
  - Providing more promotional opportunities **(2)**

- Be more entrepreneurial and innovative by:
  - Recommending greater administrative support to make this possible **(11)**
  - Providing space/time to be innovative (we currently do things the same way). Creativity does not happen in a constantly high-pressure, high-volume space. **(8)**
  - Considering an annual "working retreat" reflecting on client alignment, user friendliness, program success measures **(7)**
  - Updating, streamlining our own policies and procedures **(6)**
  - Being responsive to City's high priority needs regarding housing and homelessness **(1)**
  - Acquainting ourselves with best practices from new employees coming from other organizations and peer organizations. **(3)**

- Broaden HR & recruitment strategies by:
  - Establishing an employee referral program **(5)**
  - Soliciting feedback from HR on why applicants are not making the lists **(4)**
  - Actively recruiting from outside government/municipal workplaces – e.g. tech industry **(3)**
  - Posting jobs with working titles for easy recruitment **(3)**
  - Reviewing exams for classifications **(1)**
  - Announcing openings in multiple departments simultaneously to attract greater pool of applicants **(1)**

- Provide additional administrative support to free program/project staff to:
  - Pursue new duties/interests **(9)**
  - Update existing or create new processes for greater efficiencies **(8)**
  - Support training **(4)**
  - Improve our own quality control **(0)**

- Create vision and mission statements for the division to inform org design that:
  - Identify boundaries for new work **(8)**
  - Clarify HCS' role in serving low-income households **(8)**
  - Include ways to collaborate/connect across divisions within the department **(5)**
  - Include creation/revision of division standards, e.g. compliance **(0)**

- Consider a mix of teams and specialists in the organizational design, depending on the type of work/project/program:
  - Add a HUD/compliance program specialist **(13)**
  - Add a contract specialist **(8)**
  - Establish internal auditor role: goal: maximize compliance, efficiencies **(6)**
  - Enable more upward mobility with more positions in classifications within an existing (or new) series **(4)**
  - Establish working titles (within a classification) for greater flexibility **(2)**
  - Create fewer classifications **(1)**
  - Limit the number of narrowly defined specialists. These are the hardest positions to fill. **(0)**

- Plan for a certain level of ongoing staffing vacancies by:
  - Obtaining a contract for temps/entry level **(8)**
  - Engaging Youth Works **(4)**
  - Establishing a fellows/intern program **(3)**
  - Investigating local hire programs (eg. SF Pathway positions) **(3)**
  - Using consultants more **(2)**

- Quantify staffing needs. Recommended metrics:
  - # of projects/units for HTF monitoring portfolio/pipeline,
  - # of contracts/$ amount of contracts for homeless contracts, community services contracts
  - # of staff for supervision **(1)**

No Material Available for this Item

There is no material for this item.

City Clerk Department
2180 Milvia Street
Berkeley, CA 94704
(510) 981-6900

The City of Berkeley Budget and Finance Policy Committee Webpage:

https://berkeleyca.gov/your-government/city-council/council-committees/policy-committee-budget-finance

No Material Available for this Item

There is no material for this item.

City Clerk Department
2180 Milvia Street
Berkeley, CA 94704
(510) 981-6900

The City of Berkeley Budget and Finance Policy Committee Webpage:

https://berkeleyca.gov/your-government/city-council/council-committees/policy-committee-budget-finance

Office of the City Manager

ACTION CALENDAR
April 26, 2022

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Director, Finance

Subject: Accept the Risk Analysis for Long-Term Debt (Bonding Capacity) Report provided by Government Finance Officers Association

RECOMMENDATION

Accept the report titled 'Risk-Based Analysis and Stress Test of Long-Term Debt Affordability' as provided by the Government Finance Officers Association (GFOA). This report is based on their research and development of a risk-modeling tool to address issuing long-term debt related to City of Berkeley Vision 2050.

FISCAL IMPACTS OF RECOMMENDATION

There are no fiscal impacts of accepting the report

CURRENT SITUATION AND ITS EFFECTS

The Risk-Based Analysis and Stress Test of Long-Term Debt Affordability (Bonding Capacity) report is a Strategic Plan Priority Project, advancing our goal to:

- Provide an efficient and financially-healthy City government

The City engaged GFOA to conduct this analysis of the City's bonding capacity through their risk-modeling approach. This analysis will support the City's later development of a thirty-year borrowing plan, which will enable the City to replace its aging infrastructure assets, maintain its General Obligation Bond rating at AA+ at S & P Global and Aa1 at Moody's, and keep the bond property tax rate at an affordable level (which was .0540% at June 30, 2020). The GFOA's risk model and report look at a comprehensive financial analysis with particular focus on options to maintain the City's debt affordability within the framework of the City's huge unfunded pensions and other post-employment benefits (OPEB) and overall City operations.

The study and report are intended to help develop recommendations for a combination of infrastructure-focused revenue measures slated for November 2022 and beyond.

The context provided for GFOA to build the risk model and draft the subsequent report was framed through initially providing these items to GFOA:

1. Vision 2050
2. Unfunded Liabilities Report
3. Capital Improvement Plan in the most recent biennial budget and five-year planning horizon
4. Annual Comprehensive Financial Reports (ACFR)
5. GO Bonds, Revenue Bonds, and Certificates of Participation Debt Repayment Schedules
6. Current Bond Authority and Outstanding Amounts (GO Bonds for the past 20 years as of 7/12/21)
7. City's Debt Policy
8. S and P Global Ratings Letter Re: GO Bonds
9. S and P Global Ratings Letter Re: Lease Revenue Bonds
10. Analysis of City's Debt and Contingent Liability Profile
11. GO Rating Report – April 2021
12. GO Rating Report – February 2020

The GFOA report details these and additional factors that GFOA researched and incorporated into their construction of the risk model and their drafting of the final report.

BACKGROUND

The City has an extensive portfolio of capital assets and infrastructure, including 95 public buildings; 254 miles of public sanitary sewer mains and 130 miles of public sewer laterals; 52 parks, two pools; three camps; and 42 different facilities served by the City's IT systems. Maintaining these assets is costly and requires significant resources and constant attention. As an older city, 50% of Berkeley's $837 million of capital assets have exceeded their useful life.

The City's FY 2021 Capital Plan called for spending of $57 million/year on capital and maintenance needs. Even at this increased level of funding, Berkeley's infrastructure will deteriorate faster than it is being repaired and replaced, and construction cost escalation at four (4) percent/year will significantly increase replacement costs.

To modernize these old physical structures with resilient, durable, and climate-smart infrastructure will require substantial new investments. To adequately address the $882 million in unfunded infrastructure liabilities, the City needs to double its annual capital spending over the next decade to $80 million/year. Capital expenditures are typically funded through a combination of debt financing (pay-as-you-use) and cash (pay-as-you-go). Paying in cash avoids the cost of interest, but requires the City to accumulate sufficient cash to fund the project, while construction costs escalate. Using debt to finance capital projects incurs interest expense but allows the project to start earlier, thereby avoiding escalation costs.

The City has an infrastructure system that has allowed it to thrive for over 100 years. Now, the City wants to incorporate new technologies and be able to adapt to meet environmental trends so that the infrastructure systems can continue to support the City for another 100 years. The risk analysis report shows the potential impact of multiple factors on the City's capacity to issue debt during the next thirty years.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS
There are no identifiable effects or opportunities associates with this item.

RATIONALE FOR RECOMMENDATION
The City administered Request for Proposals #21-11459-C for consulting services to determine the City's bonding capacity. The RFP was published twice with neither publication generating responses from the market. In the course of staff researching why no responses were received, staff met with GFOA. GFOA provided their relatively new risk-modeling approach to the bonding capacity topic. Thus, it was determined, since a traditional RFP was not generating market response, that it would be advantageous to contract with GFOA for their services to research and develop the risk-model for City of Berkeley to evaluate its capacity for issuance of long-term debt.

ALTERNATIVE ACTIONS CONSIDERED
Not conducting the study

CONTACT PERSON
Henry Oyekanmi, Director, Finance, 981-7326

Attachments:
1: Report: Risk-Based Analysis and Stress Test of Long-Term Debt Affordability (from GFOA, 2022)

A Risk-Based Analysis and Stress Test of Long-Term Debt Affordability for the City of Berkeley, California

April 2022

Produced by:

The Government Finance Officers Association

Table of Contents

Section 1 – Introduction

Long-term debt is an important tool for municipal governments to invest in long-term assets that serve their community. The City of Berkeley, California (City) is considering seeking authorization from its voters on a large amount of long-term debt, perhaps up to $600 million, to support the City of Berkeley's infrastructure needs included in its Vision 2050 plan. The debt would be used to fund assets like streets, public buildings, and more. This would be the largest amount of debt the City has sought to authorize in at least the last 20 years.[1] Therefore, the City has, prudently, decided to analyze the long-term affordability of this debt and has engaged the Government Finance Officers Association (GFOA) to perform this analysis.

GFOA is a non-profit association of more than 21,000 state and local government finance professionals and elected officials from across the United States and Canada. A key part of GFOA's mission is to promote best practices in public finance, including analyzing important financial risks like the affordability of long-term debt. GFOA's approach to risk analysis is distinctive because we use the same basic methods used by insurance companies and climate scientists to evaluate risk. We use computer simulation to build hundreds, if not thousands, of scenarios of how the City's financial situation could play out over 30 years. Each scenario changes important variables that influence how affordable the City's debt might be. For example, each scenario features a different interest rate environment. The variation in these variables is governed by parameters we set, where the parameters keep the variation within the realm of possibility. To continue our interest rate example, we gathered data on the rate of change in bond interest rates since 1970. This information was used to create the parameters for the interest rate environments generated for each scenario. We then see how often the City's debt remains affordable over those thousands of scenarios. If the debt is shown to be affordable under a high proportion of those scenarios, then that suggests there is a good chance that the debt will ultimately be affordable in the real world. Conversely, if the debt is not affordable under a high portion of the scenarios that suggests the debt is unlikely to be affordable in the real world. This computer simulation is built in Microsoft Excel using open standards for the data.[2] We'll refer to this computer simulation as the GFOA "Risk Model". The Risk Model is completely available to the City to use as it sees fit, including the ability to adjust many of the assumptions utilized for the simulations.

The rest of this report is divided into the following sections:

- **Defining What is "Affordable" Debt.** This section describes our rationale for using a typical bond ratings analysis as the basis for determining what is "affordable" for the City government.
- **Key Financial Indicators and Assumptions.** This section examines the key indicators of debt affordability that are taken into consideration by bond ratings companies and our method of approximating how the indicators suggest debt affordability in our simulation of the City government's future.

[1] History of the City's bond issuances compiled with the help of the City Clerk.
[2] Visit probabilitymanagement.org for more information on the standards we use.

- **Results of the Analysis and Recommendations.** In this section, we will address the findings from our analysis, including recommendations to help the City retain its credit rating.

Section 2 – Defining What is "Affordable" Debt

The definition of what is "affordable" debt is at the foundation of this analysis.

The first step to defining what is affordable is defining the type of debt the City is considering. The City is considering "general obligation (GO) debt". This debt is paid for by a dedicated property tax levy. Thus, the City **does not** have to pay for this debt out of its existing revenue streams. This means that taking on more general obligation debt **will not** have a **direct** impact on the City's operating budget. There is **indirect** impact – for example, perhaps the higher tax bills faced by taxpayers would cause them to vote against future tax measures intended to support the operating budget. Or, maybe residents or businesses feel the impact of higher taxes in their businesses or personal finances and decide to move. These are important considerations, but are outside the scope of this analysis, which is focused on the **direct** impacts to City government. That said, the financial indicators we will examine do include measures of personal income and the size of the tax base relative to the size of the population, which do provide some insight into affordability to taxpayers. It is also worth remembering that, according to California law, debt like the City is considering must be approved by two-thirds of voters in an election. If approval is not obtained, the debt cannot be issued. Thus, taxpayers evaluate the affordability of the proposed debt themselves by choosing to approve it or not. However, affordability to the taxpayers might not be that simple. We'll have more to say on this topic later in the report.

The impact of general obligation debt on the City government's finances is to add to the City's total debt burden. Generally, the more debt a City takes on the less attractive its debt becomes to investors, all else being equal.[3] This is because, in theory, the more debt a City has, the less likely it is that it will be able to pay it all back. This is important because if the City's debt becomes too unattractive, it will need to offer higher interest rates to investors. That would make it more expensive to borrow and, thus, more expensive for the City to make future investments in long-term assets. **Thus, we will define debt affordability as the extent to which issuing more debt in support of any City Council program might cause the City's debt to cross a threshold point where the City has to offer a higher interest rate to attract investors**.

Threshold points where higher interest rates must be offered are known as bond ratings. There are three major agencies that issue bond ratings: Moody's Investors Service, Standard and Poor's, and Fitch Ratings. Each rating agency has its own approach, but there are broad similarities between all three. For purposes of this analysis, we will focus on Moody's approach. This is because Moody's method is: A) well documented; and B) makes use of quantitative financial information to help standardize the approach to issuing ratings. This means we can collect the same financial information Moody's would collect and evaluate it in a similar, albeit much simplified, manner. By doing this, our Risk Model was able to essentially duplicate the City's current rating, which is "Aa", according to Moody's. Aa is the second best rating on Moody's scale (which is similar to the scales used by the other rating agencies). The complete scale is shown in the accompanying table. The reader should note that rating agencies also make finer grained distinctions within the rating tiers. For example, technically, the City's rating is "Aa1", which

[3] Municipal governments might issue more debt, but their tax base and revenues might also continue to grow. In this case, all else has not remained equal so the debt of that municipality may not become less attractive.

indicates the City is a strong Aa or at the upper end of what is considered Aa. An Aa2 would be in the middle and Aa3 would be considered a weak Aa. For the majority of this report we will not refer to these finer grained distinctions. This is, first, in the interest of simplicity. Using just the ratings scale showing in our accompanying table, the reader will be required to track six different categories of ratings. Multiplying the number of categories by three might make this analysis much more difficult to follow. Second, we do not have access to reliable historical data on how big a difference these finer distinctions would make on the interest rate the City could obtain for its bonds. We have data back to 1970 for the differences between the tiers shown in our table. Therefore, most the analysis will take place at the level of these six tiers. Occasionally, though, we will refer to the finer distinctions (e.g., Aa1 vs. Aa2 vs. Aa3) to discuss how the City's credit rating could change in response to different conditions.

If the City's debt were to be downgraded to an "A" we would expect the City to have to pay a higher interest rate on future debt. How much more would depend on the interest rate environment at the time. Historically, the difference between the interest rate of Aa and A has ranged from 1.05 to 0.08 percentages points, with an average of 0.26 percentage points. If, for example, a $100 million 30-year bond sold at 2.26% interest rather than 2.00% interest, this would translate to $5 million more in total interest cost over the life of the bond.

Moody's Rating Scale	
The best->	Aaa
	Aa
	A
	Baa
	Ba
The worst->	B or below

To evaluate the affordability of the City of Berkeley's borrowing plan including its Vision 2050 debt issuance plan we can do the following:

1. Update the key financial indicators used within the Moody's rating system to reflect what the indicators would look like with the additional debt over the 30-year analysis period covered by our Risk Model.
2. Use computer simulation to vary key variables that impact the financial indicators over the 30-year analysis period. We'll describe what these variables are and the assumptions our analysis makes in the next section.

Section 3 – Key Financial Indicators and Assumptions

The purpose of this section is to summarize the key financial indicators used to help frame bond ratings and to describe key assumptions we have made with respect to future values of the important variables that go into the analysis. Our analysis considers the next 30 years, so we had to make assumptions about how key variables would behave. Before we delve into these topics, we'd like to bring five important points to the attention of the reader:

1. The amount of debt the City takes on is not the only, or even primary, factor that determines bond ratings. Bond ratings take into account a number of factors besides debt. Therefore, our analysis include other factors that impact bond ratings, such as pensions, fund balance and tax base, along with debt.
2. Bond ratings are intended, primarily, to help investors decide how risky it is to invest in a municipality's debt. Though many of the factors bond ratings take into account are reflective of

the general financial health of a municipality, the ratings are not a perfect measure of financial health. This is because ratings are intended to judge the ability of the City to pay back its bondholders and nothing more. This is a limited perspective on financial health.[4]

3. Bond ratings method are not a purely mechanical exercise where a given value for the financial indicators leads to a perfectly predictable bond rating. For example, Moody's rating method includes "notching factors", which are essentially the wiggle room to adjust a municipality's rating up or down, based on local circumstances and the judgment of bond rating analysts. Nevertheless, given that our approximation of the financial indicators that Moody's uses did produce the City's current rating in our Risk Model, we can assume that the financial indicators will produce useful insights into what the City's rating might be under different circumstances.
4. Our analysis is based largely on the future looking a lot like the past in many important respects. For example, we will see that the size of the City's tax base is regarded as a big strength by the Moody's evaluation method. We will assume it will continue to be. Of course, it is plausible that that a large natural disaster, like an earthquake, could severely damage property stock in Berkeley to the point where the tax base is seriously impaired and is no longer the strength it once was. These kinds of extreme scenarios (e.g., natural catastrophes) are not within the scope of our analysis. This is not to say such scenarios are not important. In fact, GFOA analyzes the impact of catastrophic scenarios on municipal financial health on a regular basis. However, given the scope for this project we focused on the key financial indicators of the City's financial health that are described in the following pages and not on catastrophe events. The Risk Model is not intended as a perfect representation of reality. It has been said "all models are wrong, but some are useful". We would suggest that focusing on the trajectory of key financial indicators given the decisions that City makes is a useful perspective on the affordability of its debt plan.
5. Readers who are not interested in the details of the Moody's methods and the assumptions we made about the future of the City's finances are invited to skip the rest of this section and go directly to the next section for our findings and recommendations.

The rest of this section will delve into key financial indicators that are salient to bond ratings and which underlies how we are defining "debt affordability" for this study.

The key financial indicators Moody's considers are described by what Moody's calls its "scorecard". Moody's has four broad factors for its bond rating scorecard and a number of sub-factors, which are shown in Exhibit 3.1.[5] We will summarize each immediately following. With respect to the overview provided by Exhibit 3.1, the reader should note the factor weightings. We see that measures of the City's debt constitute only 10% of the total scorecard. Thus, the City's plan to issue more debt, by itself, can only have a marginal impact on the score. The City's actions with respect to its financial position, in whole, will be what really matters for debt affordability.

[4] A comprehensive approach can be found in GFOA's Financial Foundations for Thriving Communities.

[5] Our primary source on Moody's methods is "US Local Government General Obligation Debt" dated January 26, 2021, published by Moody's Investors Service.

Exhibit 3.1 – Moody's Scorecard Factors and Weights (for Local Governments)

Broad Scorecard Factors	Factor Weighting	Sub-factors	Sub-factor Weighting
Economy/Tax Base	30%	Tax Base Size (full value)	10%
		Full Value Per Capita	10%
		Wealth (median family income)	10%
Finances	30%	Fund Balance (% of revenues)	10%
		Fund Balance Trend (5-year change)	5%
		Cash Balance (% of revenues)	10%
		Cash Balance Trend (5-year change)	5%
Management	20%	Institutional Framework	10%
		Operating History	10%
Debt/Pensions	20%	Debt to Full Value	5%
		Debt to Revenue	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Full Value	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Revenue	5%

Source: Moody's Investor Service

Economy / Tax Base

The tax base ultimately determines if a city can pay back its debt. There are three sub-factors considered:

Tax-base size: The size of the property tax base is where a municipality draws its revenue from. Currently, full value of the property in the City's tax base is almost double what is necessary to receive the highest possible score on Moody's scorecard. We did not find a reason to think that a radical decline in the value of property in the tax base was a probable risk. Of course, events like the 2008 recession and bursting of the housing bubble can cause a temporary decline. These kinds of variations are captured in the Risk Model. The Risk Model assumes that tax base will grow (and occasionally shrink) at rate that is broadly consistent with historical patterns, but the Risk Model does not assume a constant rate of growth. For example, the Risk Model simulates market pullbacks like the Great Recession (and worse). However, we did not find a reason to think that a dramatic, long-term decline in the City's property values was a high-probability risk. The Risk Model does provide the user with the ability to easily change growth rate assumptions in order to see the effect of more optimistic or pessimistic outlooks.

Full-value per capita: This indicator adds in population size to the size of the tax base. The per resident property wealth shows the availability of tax-generating resources relative to the users of public services. This measure is almost 1/3 above what is necessary to receive the highest score on Moody's scorecard. We did not find reason to believe that the City's population would outpace the growth in property values to the point where it would risk the City falling below the Moody's threshold for the best score. In fact, a long-term forecast sourced from Association of Bay Area Governments (ABAG) shows the City's population forecasted to grow just over 1% per year over the next 30 years. This growth does not seem to be so great that it puts a strain on City finances and, thus, pose a risk to the City's bond ratings.

Median Family Income: A community with high-income taxpayers may have greater ability to cover the cost of debt. The City is almost exactly in the middle of the two threshold values that bound the second highest score on Moody's scale. Presumably, the large number of college students in Berkeley exert downward pressure on this measure. That said, we did not uncover a high probability risk that the City would fall out of the second-highest category over the next 30 years.

Finances

This factor considers a local government's cushion against the unexpected, the City's ability to meet existing financial obligations, and its flexibility to adjust to new ones. There are four sub-factors considered:

Fund Balance: Fund balance describes the net financial resources available to a municipality in the short term. It is essentially the "rainy day fund" or "self-insurance" to react to unplanned, unavoidable costs (like natural disasters). More fund balance would presumably reduce the risk of a local government failing to repay debt because of a natural disaster or other catastrophe. For the City, this measure is currently almost 2/3 above what is necessary to receive the highest score on Moody's scorecard (Aaa). That said, fund balance is not nearly as stable a quantity as the economic forces we reviewed above. For example, in the years 2007 to 2013 the City's annually available reserves were less than half of what they've been in the last few years. In fact, the City would have been in the Aa, rather than Aaa, equivalent tier for six of the last 15 years (though not too far below the Aaa tier, at least). This means that we shouldn't take for granted that the City will continue to maintain reserves high enough to receive Moody's highest scores for the entire 30-year analysis period. The Risk Model assumes the City has a chance of falling out of the Aaa equivalent tier for fund balance. That chance is determined by the City's historical experience. Over the last 15 years the City was below the Aaa threshold six times. So, the Risk Model assumes a six in 15 chance (or two in five chance) per year that the City falls below the Aaa tier.

Five-Year Dollar Change in Fund Balance as % of Revenues: The reason for this measure is much the same as stated above, except this takes longer-term perspective on fund balance. Fund balance can change fairly rapidly, year to year, compared to some of the other indicators in the Moody's scorecard. So, this measure checks to see if fund balance is growing or shrinking and by how much. Currently, the City is just above the threshold required for the highest score. However, this is an example of a measure that is highly relevant to the interest of bondholders, but not as well aligned with the interests of the people who live in Berkeley. From the perspective of bondholders, it would not be a bad thing if the City continued to build its fund balance indefinitely. That continues to reduce the risk of a default. However, from the citizens' perspective there is a clear upper limit on the amount of fund balance a local government should hold. At some point the opportunity cost (in terms of higher taxes or foregone services) is not worth the benefit the public receives from the City having a larger fund balance. Thus, given that the City already, by Moody's own standards, has a large fund balance, it is questionable whether the City would continue to grow the fund balance in the future at the same rate it has in the past. Thus, it seems unlikely the City would continue to achieve the highest score under the Moody's rating system. However, that said, Moody's documentation does imply that local governments with a strong fund balance might be given consideration for maintaining that fund balance rather than continuing to grow it - Moody's might adjust ratings upwards to reward maintaining stability of a high level of fund balance. This means that the City may not enjoy the top-rated scores it had gotten in the past on this measure, but if it maintains a high level of fund balance, it might only drop to the second highest score. The Risk Model gives the user the option to choose the growth rate, from maintaining a rate of growth equivalent to Aaa to remaining flat (equivalent to an A rating). For the purposes of this report, we chose to make this indicator equivalent to an Aa rating. The rationale is that the City probably can't keep historic levels of growth indefinitely, but the high amount of fund balance the City usually carries would, hopefully, be enough to avoid falling down to an A rating.

Cash Balance: Cash is a similar measure to fund balance – but focuses on "money in the bank", whereas fund balance can include some non-liquid resources. For the City, this measure is currently almost three times above what is necessary to receive the highest score on Moody's scorecard. At the City, cash balances and fund balance levels tend to mirror each other. So, just as the City did not have nearly the same level of fund balance in the past as it does today, it did not have the same level of cash either. Thus, like fund balance, this means that we shouldn't take for granted that the City will continue to maintain cash high enough to receive Moody's highest scores for the entire 30-year analysis period. That said, given that cash appears to be so far above what Moody's is looking for that it would take much more extraordinary circumstances for the City's cash to fall below Aaa equivalence. The Risk Model assumes that the City has a 2 in 15 chance of falling to the Aa tier, each year. This chance is smaller than fund balances falling to the Aa tier. The rationale is the City's cash amounts are very high above the Aaa threshold, so would have a long way to fall to reach Aa territory.

Five-Year Dollar Change in Cash Balance as % of Revenues: The rationale and issues related to this measure are much the same as discussed above. Cash is a more liquid resource for dealing with unplanned, unavoidable expenditures and this measure shows the rate and direction of growth. The City is currently well above the amount required for Moody's highest score, but, again, the same rate of growth probably cannot keep up indefinitely. Like fund balance, though, it seems possible that Moody's might not penalize the City for mere stability in its amounts of cash on hand, if the amounts on hand were kept high. The Risk Model uses identical assumptions for this measure as for the fund balance trend, described above.

Management

The legal structure of a local government and management under which it operates influence the government's ability to maintain a balanced budget, fund services, and continue to derive resources from the local economy. There are two measures in this category.

Institutional Framework: This factor measures the municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. For example, a local government with many mandated responsibilities, but with little ability to raise revenues would score poorly on this measure. Our examination of the City's prior Moody's bond ratings suggest that the City, for this measure, was rated consistently with is overall rating: Aa. In other words, the second best possible score. We found no high probability risk that the City's legal powers and responsibilities would change dramatically in the coming years, so we assume the City's score on this measure will remain constant throughout the analysis period.

Operating History: Operating history is essentially the extent to which the City runs annual surpluses or deficits. The City's current measure is well above what is required for Moody's highest score. However, because surpluses and deficits are determined annually, we shouldn't assume stability in this measure over a long-term period. We looked at the last 15 years of the City's history to see the size of surpluses (there were no deficits) and used those to simulate what surpluses will be in the future. This results in a more conservative assumption than simply continuing the most recent trends indefinitely into the future.

Debt / Pensions

Debt and pension burdens are measures of the financial leverage of a community. The more leveraged a tax base is, the more difficult it is to service existing debt and to afford additional debt, and the greater the likelihood there will be difficulties funding debt service. There are four measures in this category.

We gave this category the most analytical attention for a number of reasons. First, debt was the primary focus of the City in commissioning this study. The amount of debt the City is considering issuing will have a direct impact on some of the measures in this category. Second, as we will see, the City's current performance on debt indicators is already weak compared to the other indicators we have reviewed. Third, this section includes pensions, which, as we will see, are the weak spot in the City's performance on the Moody's scorecard.

We will first briefly overview the four measures in this category and then go into details on the assumptions made for future values of these indicators.

Debt to Full Value: This evaluates net direct debt relative to full value of the property in the City's tax base. This metric tells us how onerous future debt service payments could be to the tax base. Currently, the City is in the second best category for scoring on this measure.

Debt to Revenues: This compares debt to the City's regular revenue stream. Moody's does not subtract from the calculation any debt whose principal and interest is paid by taxes, even if those costs are external to the General Fund. Under this definition, the City gets a score on the Moody's scorecard equivalent to an "A" rating.

Three-year Average of Moody's-Adjusted Net Pension Liability to Full Value. This measures the magnitude of a local government's pension obligations relative to its tax base.[6] Similar to the debt burden evaluation, the tax base serves as a proxy for future revenue-generating capacity to amortize accrued pension obligations. The City's score here is equivalent to a "Baa" bond rating.

Three-year Average of Moody's-Adjusted Net Pension Liability to Operating Revenues. This metric seeks to measure pension obligations relative to the size of the local government's budget. The metric attempts to reflect that amortization of accrued net pension obligations could divert revenues out of future budgets and lead to funding shortfalls. The City's score here is equivalent to a "Ba" bond rating (the second worst rating).

[6] Note that Moody's adjusts the standard net pension liability measure found in government financial reports to include less favorable assumptions on the discount rate for pension investments. The details behind these calculations are available in the Risk Model supplied to the City by GFOA.

Assumptions for Future Indebtedness:

- The Risk Model includes all repayment schedules for the City's existing debt and assumes debt will be repaid in the times and amounts currently scheduled.
- The Risk Model includes three categories of "new" debt. The detailed assumptions behind the new debt are described in more detail later, but the general categories of new debt are:
    - Debt that the voters have previously authorized, but which the City has not issued. This is in the amount of $117 million in principal.
    - Debt issued to support Vision 2050 or other programs. The user defines the amount of principal in the Risk Model. The Risk Model assumes that the number entered by the user will be approved by the voters.
    - Debt issued in the far future. Given we are taking a long-term (30 years) perspective, we should not assume that future City Councils will not issue any more debt. The amounts and timings of these simulate future debt issues are described as part of the following bullets.
- For all new debt, the user can choose the length of the repayment schedule. For the purposes of this report, we assumed 30 years. This is consistent with the City's past practices and current plans. We assume level repayment schedules (i.e., no front or back loading of repayment schedules). We assume no debt refunding, refinancing, etc.
- For all new debt, we simulate the interest rate, where historical rates are used as a model. Here are some key points:
    - We use forecasts of the yield on ten-year US Treasuries for the next two years to simulate the interest rate environment for the next two years. We do this so that the Risk Model does not generate short-term results that are divergent from short-term expectations.
    - After two years, the Risk Model randomly generates future interest rates, where the rate of change in the rates is entirely consistent with the rate of change in the interest rates for Aaa-rated GO bonds and US Treasuries since 1977. We used the historical rate of change to simulate downward, upward, and stable trajectories for long-term interest rates.
    - The Risk Model assumes bond interest rates will not go below zero. The user has the option to adjust this rate floor.
    - The Risk Model includes the City's informal policy that the City will not borrow if rates are above 5%. If rates are simulated to go above 5% in any year any simulated, then borrowing is deferred until rates go back below 5%.
    - For the purpose of this report, the Risk Model assumes that rates are just as likely to go up in the future as they are to go down, with the exception of the first two years. As discussed above, the next first years are determined by the 10-year US Treasury forecasts produced by other organizations. For the years after that, the user is able to adjust how likely rates are to go up or down to explore assumptions other than what we assumed for this report. So, if the user wanted the Risk Model to simulate an interest environment where it is twice as likely rates would go up, then that assumption could be entered. In no case will the rates rise at a greater rate of change than has been observed historically.

- The Risk Model assumes that the City will issue new debt that has been previously authorized by voters, but which have not yet been issued. This amounts to $117 million in additional principal that is added to the City's debt burden over the next five years. The debt is issued according to a user-defined schedule.
- For the debt to support more borrowing, including the City of Berkeley Vision 2050, in the Risk Model, the user can choose the amount of debt the City will issue. The Risk Model allows the user to choose between the options below. The options are completely user definable so the City can add, change, or delete options as it likes:
    - An option for $300 million in debt, which represents the lower end of what the City Council has discussed. Note that the City Council has discussed supplementing this amount of debt with a parcel tax. The parcel tax would not impact the City government's performance on the key indicators in the Moody's scorecard other than requiring the City issue less debt. Hence, the parcel tax is not included in the Risk Model.
    - An option for $600 million in debt, which represents the upper end of what the City Council has discussed.
    - An option for $900 million in debt. This is included just for demonstration purposes, so the user can see what a larger amount of debt would do to the model results.
- Debt issued to support more borrowing for the 2050 Vision Plan are assumed to be issued in increments evenly throughout the 30-year analysis period. The user can change this assumption and make the debt issued on any schedule they would like.
- We should not assume that the debt issued to support the City of Berkeley Vision 2050 will be the last debt the City issues for 30 years. Since 2000, the City has tried to gain voters' approval to issue new debt in seven of ten election years. Thus, we must assume that future City Councils will have plans to issue debt to support future projects. The model simulates this under the following assumptions:
    - The City will not try to issue new debt again until 2028. This assumption can be easily changed by the user.
    - For any election year after 2028, there is a 70% chance that the City will try to gain approval to issue new debt. This is based on the fact the City has historically tried in 70% of election years, though this assumption can be adjusted by users.
    - The amount of debt the City attempts to issue in any given election year varies between $13 million and $150 million. This is based on the inflation adjusted amounts the City has tried to issue in the past. The Risk Model adjusts this amount upwards in future years to account for the effects of inflation.
    - The public approves proposed new issues at the same rate it has in the past, including partial approvals.

Assumptions for Future Pension Liabilities

For pension liabilities, we developed a single alternative pension assumption, based on the work of the City's CPA firm. This assumption assumes a negative 1 percentage point adjustment to the discount rate applied to pension investments. So, if the baseline, status quo assumption is 7.15%, then the alternative would be 6.15%. The user can activate or deactivate the alternative assumption on the Risk Model dashboard. If activated, the alternative assumption is applied across all of the thousands of scenarios the risk model produces. If is not activated, it is not applied to any of the scenarios.

The Risk Model also includes an assumption for annual increase in pension liability and the current annual rate of 3.96%. GFOA would like to acknowledge the assistance of Dan Matusiewicz, Senior Finance Consultant, at GovInvest for providing assistance on formulating this assumption, which is based on a 6.8% discount rate and wage growth of 2.5%.

Section 4 – Results of the Analysis and Recommendations

In this section, we will address the finding from our analysis, including recommendations to help the City retain its credit rating.

Let's Put Debt in Context of the Financial Indicators Used to Estimate Debt Affordability

The City's level of debt only impacts the financial indicators that comprise a total of 10% of the Moody's scorecard. Put another way, 90% of the scorecard result is determined by factors other than the City's debt! That means that long-term affordability of the City's debt will be influenced by things like how the City manages its tax base, fund balance, its pensions, and its budget. Exhibit 3.1 provided details on the relative importance of the different factors in the Moody's scorecard. To recap some of the more notable items:

- Pensions are equal to 10% of the scorecard result, or the same as debt.
- Fund balance and cash are equal to 30% or are three times the importance of debt.
- A balanced budget is equal to 10% of the scorecard result.
- Economic factors, like full value and median family income, are equal to 30% of the scorecard result.

According to our re-creation of the Moody's scoring method, today, the City is just short of a score that would be consistent with an Aaa rating. The City's pension liabilities are the main culprit for keeping the City from that score. This conclusion seems consistent with what bond analysts have conveyed to the City: that the City would have an Aaa rating if not for its pension situation. This means that the City has some "distance to fall" in order to get down to an A rating, at least according to the quantified scoring system and the assumptions we described in this report.

All this means that the City's decision to issue debt must be done in the context of the other factors that impact affordability when trying to determine the chance that additional debt will reduce the City's bond rating.

So, to review, the City' strengths are:

- The City's economic base is firmly in Aaa territory and there does not seem to be a plausible risk of it falling out of that tier. The economic base accounts for almost 1/3 of the rating.
- The City's fund balance and cash are firmly in Aaa territory as well. Even though these measures are, by nature, more volatile than the measures of the economic base there seems to be low risk that they would fall completely out of Aaa territory much less all the way down to an A-rating territory (assuming the City maintains a strong reserve policy, as further described in our recommendations). Fund balance and cash measures also constitute almost one-third of the rating.
- The City has also consistently maintained a balanced budget.

And, the City's weaknesses are:

- The City's pensions are in Baa territory currently. Some observers believe there is a case for a lower discount rate to estimate the City's pension liability. A lower discount rate would make the liability to go up substantially. The City's CPA firm produced the calculation for a 1 percentage point reduction and we included it in the Risk Model as an option for the user to activate, if they wish. If this scenario came to fruition, pensions would become an even greater drag on the City. In fact, the Risk Model shows a good chance that pensions reach B territory (the worst rating) well before the end of the 30-year analysis period. Finally, it is worth noting that the Risk Model shows that one of the pension measures in the scorecard (pension liabilities compared to revenues) is at risk of slipping down to a score equivalent to the next lower rating tier (Ba) within in the next five years. As we will discuss more later, a continued downward trajectory on pensions could influence bond ratings analysts to give the City a lower rating.
- Though the City's current indebtedness is not nearly the problem that pensions are, it is not helping the City's bond rating either. Currently, debt measures sit between Aa and A territory.

More debt reduces the City's score on the indicators. We can illustrate with the table below. The table shows the City's scores under different simulations, starting with the City's current score and ending with the City's simulated score at the end of 30 years. The simulation does not produce a single score for the end of 30 years, but rather produces a range of possible scores. For this reason, we show the average, optimistic, and pessimistic outcomes.[7] The table uses assumptions identical to that described earlier in this report and assumes $600 million of new debt in support of the City's programs, including Vision 2050, plus debt issued by future City Councils, as described earlier. We can see that the score at the end of the 30 years is worse than the City's current score under all three perspectives in the table (average, optimistic, pessimistic). The good news is that when we consider just debt, at least the scores do remain broadly consistent with an Aa rating. But, what about if we consider more than just debt? Other factors do enter into the final bond rating of course.

Exhibit 4.1 – Simulated Results on Moody's Scorecard under the Assumptions Described Earlier in the Report

	Score for Each Rating		City's Current Score	Average Score at end of 30 years	Optimistic Score at end of 30 years	Pessimistic Score at end of 30 years
Rating	Min	Max				
Aaa	0.05	1.5				
Aa	1.5	2.5	**1.65**	**2.14**	**2.00**	**2.30**
A	2.5	3.5				
Baa	3.5	4.5				
Ba	4.5	5.5				
B or below	5.5	6.5				

[7] Optimistic and pessimistic are defined as the points at which 5% of the outcomes produced by the model are above or below the point indicated on the table.

To examine the other considerations that go into a rating, Exhibit 4.2 changes the assumptions in the Risk Model to be less favorable for the City, including: a lower discount rate on pensions (1 percentage point) and performance equivalent to an Aa rating for fund balances, cash balances, and operating history (which would be less favorable than the City's recent history would suggest). We can see that the City's scores now deteriorate enough that the pessimistic outcome places the City in the "A" rating equivalent scoring tier. What the table does not show is how the scores change for periods less than 30 years. The Risk Model tells us that the risk of a downgrade is present in the near-term future, not just the long-term future. This is because the City is close enough to the next lower tier of scoring for its debt and pension measures that it is plausible that the City will reach these lower tiers in five to ten years. We'll discuss this more detail in the next section. Over the long-term, the City's strong property tax base (and growth in that base) can balance out some of the nearer-term challenges (assuming the challenges don't also get worse).

Exhibit 4.2 – Simulated Results on Moody's Scorecard under Less Favorable Assumptions

	Score for Each Rating		City's Current Score	Average Score at end of 30 years	Optimistic Score at end of 30 years	Pessimistic Score at end of 30 years
Rating	**Min**	**Max**				
Aaa	0.05	1.5				
Aa	1.5	2.5	**1.65**	**2.39**	**2.30**	
A	2.5	3.5				**2.50**
Baa	3.5	4.5				
Ba	4.5	5.5				
B or below	5.5	6.5				

The reader will notice that even on this second table, the scores are certainly not disastrous, by any means: the average score is still within the Aa equivalent tier. That said, we must remember that the final bond rating a municipality receives is not a purely mechanical exercise, where the key financial indicators dictate the bond rating. According to Moody's: "The scorecard is not a calculator. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to begin viewing and comparing local government credits. It therefore acts as a starting point for a more thorough and individualistic analysis." Put another way, the rest of the rating is subject to a human element: the rating analyst. In a real-life scenario characterized by unfavorable performance across the indicators that Moody's looks at we can't discount the possibility that the analyst might decide to "put a thumb on the scale" and raise the chance of a downgrade. For example, perhaps a significant amount of new debt along with further deterioration in the City's pension situation dampens the rating analyst's enthusiasm for the City of Berkeley's debt even more than the Moody's scorecard suggests. Finally, it could be possible that rating agencies could change the weightings of the indicators they consider. GFOA has observed that the measures favored by rating agencies and the relative weight placed on them has evolved over time. It seems unlikely that debt and pensions would come to occupy a less important place in rating considerations given that they currently constitute a relatively small consideration compared to fund balance / cash and tax base. Given that pensions and debt are biggest risk to future debt affordability, we'll examine this risk more in the next subsection.

Finally, the model can address different interest rate environments and property markets. Some observers believe that sustained higher interest rates may result from efforts to combat inflation. This would result in economic stagnation and impact on the housing market. In fact, the Federal Reserve Bank of Dallas recently stated that the property market is showing "signs of a brewing U.S. housing bubble". The implication is that bubbles pop, with the types of consequences we saw in the 2008. To explore these concerns further, we adjusted the model assumptions to give more weight to a rising interest rate environment and to reduce, by half, the chances of growth in the City's revenue and property values. Note that the baseline assumptions in the Risk Model **did not** assume uninterrupted growth in property values, but did assume a good chance of a long-term upward trajectory. These new assumptions result in a good chance of long-term stagnation. Under these assumptions, unsurprisingly, the City's is at significantly greater risk of slipping below an Aa equivalent score. Interestingly, the City's informal policy of not borrowing at rates above 5% makes a noticeable difference in the high interest rate environment: the City stops borrowing at a certain point and pays back existing debt, which helps its score. The take-away is that unfavorable turns in the economic environment will have a noticeable impact on the financial indicators and increase the risk of a ratings downgrade.

Pension, Debt and the Risk Posed to the City's Bond Rating

Though pension and debt do not dominate the Moody's scorecard and are not the most important consideration in bond ratings, they still can influence bond ratings. For example, especially poor performance or notable deterioration from previous performance might capture the attention of the bond ratings analyst. To illustrate, the table below displays results from one of thousands of simulations the Risk Model produced, using the more unfavorable assumptions described in the previous section. We chose to illustrate using the more unfavorable assumptions because it helps make the point we wish to make more clearly. Also, keep in mind this is just one of the thousands of simulations we developed, so it's not intended to show generalizable results (unlike the tables in the last section which summarized results from across the thousands of simulations).

The top set of rows in the table shows the City's current values for the key financial indicators associated with debt and pension in the Moody's scorecard. The next set of rows shows the scores the indicators receive under the Moody's methodology. The scores can range from 1 to 6, where 1 is the best (Aaa equivalent) and 6 is the worst (equivalent to B or below). The final row is the average of all indicators in the Moody's scorecard, which includes indicators not shown in the rows above (e.g., tax base, fund balance, etc.). Remember that the average is weighted towards the indicators Moody's deems most important (see Exhibit 3.1).

We see that the City's current score across all indicators is a 1.65 (bottom left corner), consistent with a strong Aa rating. However, as we move to right and further into the future, we see City's score on debt and pensions deteriorate (the numbers on the 1 through 6 scale get higher). We can also see the average score move upwards. The movement upwards is not as dramatic because debt and pensions only account for 20% of the total score. The measures that account for the other 80% perform well, often in Aaa territory. Nevertheless, we see that although the City's score remains consistent with an Aa rating, it has become consistent with a weak Aa (or Aa3 in Moody's terminology). It should be noted that the cutoff points used in the table to differentiate strong from weak come directly from Moody's documentation.[8] With this in mind, it becomes more understandable why an analyst might decide to downgrade the City to an A rating, if they observe the City's scorecard result fall from a strong to a weak Aa. They might conclude that the possibility of continued decline, for example, merits a lower rating.

Exhibit 4.3 – Example Results from a Simulation the Risk Model Produced

		Years into the Future									
	Now	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
VALUES FOR INDICATORS											
Net Direct Debt / Full Value	1.3%	2.2%	2.3%	2.2%	3.0%	2.9%	2.7%	3.5%	3.8%	3.8%	3.8%
Net Direct Debt / Operating revenues (x)	0.76	1.29	1.34	1.86	1.78	1.69	2.08	2.28	2.20	2.10	2.01
Adjusted Net Pension Liability (3-Year Average) to Full Value (%)	8.7%	13.7%	13.7%	13.8%	14.0%	14.1%	14.7%	15.2%	16.4%	17.7%	18.8%
Adjusted Net Pension Liability (3-Year Average) to Revenues (x)	5.24	7.73	8.26	8.49	8.72	8.90	8.80	9.17	9.44	9.67	9.93
SCORE FOR DEBT & PENSION INDICATORS (1 THRU 6 SCALE)											
Net Direct Debt / Full Value	2	3	3	3	3	3	3	3	3	3	3
Net Direct Debt / Operating revenues (x)	3	3	3	3	3	3	3	3	3	3	3
Adjusted Net Pension Liability (3-Year Average) to Full Value (%)	4	5	5	5	5	5	5	5	5	5	6
Adjusted Net Pension Liability (3-Year Average) to Revenues (x)	4	5	5	6	6	6	6	6	6	6	6
SCORE FOR TOTAL OF ALL INDICATORS (1 THRU 6 SCALE)	1.65	2.2	2.2	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.3
	^	^	^	^	^	^	^	^	^	^	^
	Strong Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa

Finally, the Risk Model can be used to explore different weightings on financial indicators. For instance, we could give greater weight to pensions and debt and less to cash and fund balances (perhaps because cash and fund balance measures are very similar, so weighting both heavily in the analysis could be seen as "double counting"). This feature of the Risk Model could be used to mimic how a ratings analyst might decide to weigh the indicators differently than Moody's standard documentation suggests. Unsurprisingly, weighting debt and pensions more puts downward pressure on the City's scores.

Develop and Maintain Strong Financial Policies

Financial policies can help the City maintain its good bond rating. An example is the City's General Fund Reserve Policy. GFOA's review of the City's policy finds that it includes all the critical features of a good policy and calls for a reserve equal to Moody's Aaa equivalent threshold. That said, it is important to recall that Moody's looks across all "operating funds", which includes more than the General Fund. **Hence, there could be an argument for defining reserve policies for other critical operating funds.**

The City also has a debt policy. The policy has many of the features of a good policy, but there may be some opportunities for improvement. Particularly salient to our discussion of bond ratings is debt affordability. The City's debt policy notes that "the City is subject to debt capacity limit for its general obligation bonds: 15% of assessed value." This amount of debt would be equivalent to the second lowest rating, Ba, under Moody's scoring. **Hence, there may be a case for defining a more locally appropriate debt affordability policy.** For example, even under the most aggressive assumptions of how much debt the City might issue, the Risk Model did not show that there was a high chance that debt issued in support of the Vison 2050 would bring the City's scorecard result below an "A" equivalent score on the measure

[8] Note that Moody's doesn't use the terms "strong" and "weak", but rather a numeric code. We elected to use the more descriptive terms of "strong" and "weak" in order to make the table more understandable.

comparing debt to property value of the tax base. The A rating is defined as debt equal to between 1.75% and 4% of property value. This might be a good starting point for defining a locally affordable limit. The City could "stress test" affordability by simulating larger issues to see how much pressure is placed on the scorecard result by increasing the amount of debt. It could be that the City's strong tax base and fund balance / cash practices would make it practical to incur debt beyond 4% of property value without putting the score at too much risk, but perhaps 15% is still too much. Of course, we must remind ourselves that bond ratings consider only the interest of the City's creditors. Just because creditors are willing to lend does not mean the City should borrow. More debt also places more of a burden on taxpayers. Taxpayer burden should be analyzed as part of developing a debt affordability policy. We'll discuss this more in one of our other recommendations, later in this report.

Another opportunity for improvement of the City's debt policy might be to define interest rate ceilings for issuing debt. GFOA understands that the City has an informal policy that considers "5%" the interest rate ceiling beyond which the City will not issue debt. Formalizing this policy, or something like it, could help make a positive impression on rating analysts. The GFOA Risk Model can be used to help the City stress test different policy choices because the user can customize the interest rate ceiling the Risk Model uses and adjust assumed behavior of the interest rate environment.

Finally, **a structurally balanced budget policy could be helpful**. The City has a good history of running budget surpluses. A municipal government is subject to legislative requirements to pass a balanced budget. However, the definition of a balanced budget is just that inflows equal outflows for the year and says nothing about the long-term sustainability of how the budget is balanced. For example, according to the law, an asset could be sold to pay for the compensation of permanent City staff positions. An asset is a one-time revenue while staff compensation is a recurring expenditure, so this strategy would not be advisable even if it is legal. A structurally balanced budget policy commits a local government to adopting a budget that is balanced using sustainable strategies. GFOA is happy to provide the City with templates for such a policy, if the City is interested in pursuing it. This kind of policy would support both a strong score in the "operating history" and, perhaps, the "institutional framework" measures in the Moody's system. For example, Moody's recognizes "unusually strong budget management and planning" as a "notching factor" that could justify a higher score for a municipality than the ratios in the scorecard might suggest. A structurally balanced budget policy could be an illustration strong budget management and planning.

Manage the Risk Posed by Pensions

As we've discussed, pensions are the Achilles' heel of the City's bond rating. The City has been considering strategies to manage its pension risk and has established an irrevocable supplemental (Section 115) pension trust. This could help support a good bond rating. This is supported by conversations the City's Finance Director has had with bond rating agencies: the City's current pension challenges has kept it from achieving an Aaa rating and continued deterioration in pension position could even lead to the City slipping to an A or a lower rating.

Support a Strong Tax Base

If pensions are the City's Achilles heel, then its aegis is its tax base. Not only is the tax base directly responsible for 30% of the City's score on the Moody's scorecard, it directly impacts other measures as well. For example, the Moody's scorecard method compares debt and pensions to the full value of taxable property in the City. Of course, the tax base also determines how much revenue the City can raise, which influences fund balances and the City's ability to balance its budget. Therefore, the City should take active steps to preserve and to enhance its tax base. GFOA has found that there are unrealized opportunities for municipal governments to better reflect the financial interests of municipal government in land use planning. After all, land use planning will have an important influence on how the tax base develops and how the tax base develops will have an important impact on the quality of life in Berkeley (like the City's ability to invest in infrastructure!). The City can learn more about GFOA's findings and recommendations for how to make the connection between land use planning and city finances in this report **[Note to reader: as of the date the City of Berkeley's report was posted the GFOA report on the intersection between land use planning and municipal finances has not be released to the public. It will be available soon]**.

Develop and Maintain Measures of Tax Burden

General Obligation (GO) debt is paid for by a special tax levy. Therefore, more GO debt does not place a direct pressure on the City's budget. It does, however, place burden on the City's taxpayers. Voters approve the City's ability to authorize debt. In that way, voters are speaking as to whether debt is affordable to them or not. However, voters are unlikely to have a perfect understanding of the long-term implications of debt for their tax burden. In the past, the City has developed measures that show the average tax burden for a City of Berkeley homeowner. It may be wise to develop the ongoing capacity to monitor and project tax burden, especially if the City plans to continue making use of GO bonds and tax measures. The scope of the GFOA Risk Model covers only City government finances, but the Risk Model does provide much of the information that the City would need to examine the tax burden placed on residents and businesses by future debt. For example, it gives the full range of principal and interest that would need to be covered by taxes every year of the 30-year analysis period. It also provides range of the potential size of the tax base.

Be Strategic about Debt Issuance

The City already has $117 million in previously authorized debt that it plans to issue in the next few years. This is included in the Risk Model and in the information we've presented in this report. What the risk model doesn't capture is the City staff's capacity to manage the debt issuance and, critically, to manage the projects that the debt is intended to finance. Prioritizing projects to make sure the City doesn't take on more than it can handle will not only make the best use of limited staff capacity it will help limit the total amount of debt the City takes on. The City has old debt that will gradually be paid down in the coming years. There is some opportunity to moderate the increase in the City's total debt burden by timing the issuance of new debt with expiration of old debt. That said, we must recognize that the amounts of new debt being contemplated do significantly exceed the amount by which old debt will decrease in the next number of years. So, a total increase in the City's debt burden would be inevitable under the assumption that there $117 million would be issued along with some significant additional amount to support other projects including the Vision 2050 project.

Section 5 – Conclusion and Summary

In conclusion, the City's performance on the key financial indicators used in the Moody's scorecard appears to be robust under a variety of circumstances. That said, the final bond rating the City receives is not purely a function of these indicators. Human judgment, applied by bond ratings analysts, determine the final score. Their judgment could be swayed, negatively, by the risks posed by debt and pensions, which we described earlier in this report. We have outlined a number of opportunities for the City to take proactive measures to preserve and protect its bond rating and, thus, its capacity to borrow at favorable interest rates.

To conclude, let's recap the key take-aways from this report.

- The City has important strengths that bolster its ability to borrow, including a strong tax base, fund balances, and a history of balanced budgets. That said, the City's current policy identifies a limit on borrowing equal to 15% of assessed value. Borrowing this much would place the City at the equivalent of a Ba score or the second lowest score for the key financial indicator of debt compared to the value of property in the City. That would, of course, exert strong downward pressure on the City's bond rating. The City should develop a more locally appropriate debt limit, rather than relying on statutory limits (which are set without regard to local context). For example, debt equal to 4% of property value would still provide room for the City to issue more debt (the City is currently at less than 2%), while keeping that measure with the scoring tier equivalent to an A rating. The GFOA Risk Model can be used to "stress test" different policies.
- An unfavorable turn in the economic environment could impact the City's bond rating. The Risk Model can be used to simulate high interest rate environments and stagnant (or even declining) housing markets. Unsurprisingly, these conditions increase the chances that the key financial indicators we analyzed will slip into territory associated with a lower bond rating. This is important because some observers believe that a higher interest rate environment and stagnant or declining property market are real possibilities.
- Growth in the City's tax base supports borrowing and repayment of debt. Hence, the City should consider how it can use the City's land use planning capabilities to support the financial capacity of City government. Land use planning could be used to improve the revenue productivity of the land uses in the City's jurisdiction.
- The City's pension liabilities are a drag on the City and its capacity to borrow. Pensions are clearly the weak spot in the City's bond rating given how the pensions stand today. Some observers believe that the current discount rates assumed for the pensions' investments may be too optimistic. Lower discount rates would increase the size of the liability even further. This emphasizes the need for the City to find ways to manage its pension debt.
- The City can adopt certain financial policies to maintain good management practices. This will help make a positive impression on bond rating analysts. It is important to remember that even though our Risk Models shows the City is likely to perform consistently with an Aa rating in most scenarios: A) in many scenarios the City's position deteriorates from strong Aa to a weak Aa; and B) ratings are ultimately the product of the judgment of the bond ratings analyst. An analyst's

enthusiasm for the City's debt might dampened enough by this deterioration that the analyst decides on a ratings downgrade for the City.

- Though our analysis focused on the direct impact of debt on the finances of City government, the City should also be mindful of the burden on taxpayers. The Risk Model provides much of the information the City would need to estimate burdens on taxpayers under different scenarios.
- The City already has $117 million in previously authorized debt that it plans it issue in the next few years. Given the City's interest in issuing more debt to support the Vision 2050 and other programs, the City should remain mindful of the City staff's capacity to manage new debt issuance and, critically, to manage the projects that the debt is intended to finance. Prioritizing projects to make sure the City doesn't take on more than it can handle will not only make the best use of limited staff capacity, it will help limit the total amount of debt the City takes on.
- By following a prudent borrowing strategy, managing pensions, and following other recommendations in this report the City should have a good chance of making a positive impression on bond ratings analysts and maintaining its ratings, all while preserving some additional capacity for the City to borrow.

Appendix 1 – Limitations of GFOA's Analysis

This section highlights the most important limitations of our analysis.

Our analysis is not predictive. GFOA does not forecast bond ratings. Rather, our model generates hundreds or even thousands of different scenarios to show how the future could unfold. This helps the City think more broadly about risk so that it can be more prepared for whatever future event does eventually come to pass. Finally, it is important to note that low probability events are still possible events. Hence, even if our model says an event has a low probability, then that does not mean it won't occur.

GFOA is not a risk management consultant. We worked with the City to find out which risks to bond ratings are most salient and then modeled those risks quantitatively to judge the potential impact. It is not our place to determine what the City's attitude towards risk should be or to substitute GFOA's attitude towards risk for the City's. GFOA builds models to help you explore the questions, but ultimately you have to make the decisions.

Our analysis is based on historical records. Historical data is often a good way to model potential future outcomes. However, historical data will not be perfect.

Our analysis is not inclusive of every risk the City could possibly face. We examined the City's past history and worked with City staff to identify the risks that posed the most clear and present danger to the City's bond rating. However, it is possible that the City could experience a shock that no one was expecting or that the City could be impacted by a low probability, but high consequence event.

The calculation of the key indicators is subject to some interpretation. Though Moody's does produce detailed documentation of their methods, there is still some interpretation required. For example, the measure of fund balance is supposed to include all "operating funds". It is ultimately up to the analyst to decide which funds are operating funds and which aren't. It could be that GFOA would have a different interpretation than Moody's. That said, given that our Risk Model did duplicate the City's current score, our interpretation should at least be close.

Good decisions do not always lead to good outcomes. Excel simulation tools can enhances one's perception and understanding of uncertainty and risk.[9] However, when dealing with uncertainty, even the best decision may not lead to a good outcome, if luck goes against you.[10]

---

[9] "To survive in an increasingly unpredictable world, we need to train our brains to embrace uncertainty," Emre Soyer, Quartz Magazine, January 9, 2017 https://qz.com/879162/to-survive-in-an-increasingly-unpredictable-world-we-need-to-train-our-brains-to-embrace-uncertainty/.

[10] This is one of the primary lessons in: Annie Duke. *Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts*. Portfolio. 2019.

BEN BARTLETT
CITY COUNCILMEMBER, DISTRICT 3

CONSENT CALENDAR
August 3, 2022

To: Honorable Mayor and Members of the City Council
From: Councilmember Ben Bartlett (Author), Councilmember Susan Wengraf and Councilmember Rashi Kesarwani (Co-Sponsors)
Subject: Additional Allocation of Measure P Funding to "Step Up Housing" Project

RECOMMENDATION

Adopt a resolution allocating an additional $114,660 per year for 10 years, from Measure P transfer tax receipts to support the increased costs for the lease and operation of a new permanent supportive housing project for the unhoused at the Step-Up Housing Project at 1367 University Avenue. In addition, refer to the next meeting of the Budget and Finance Policy Committee to confirm the availability of requested funding.

BACKGROUND

California has the highest real world poverty rate of any state, 17.2% over the previous three years and much higher than the national rate.[1] A major contributing factor to the state's high poverty indices is that many California residents spend much of their income on housing due to high construction costs.[2] Throughout the state, many affordable housing development projects are stalled, burdened, and have incurred higher than the median costs for development.

For example, in Alameda, CA, Everett Commons, which is a low-income development that provides housing for only 20 families, costs $947,000 per unit.[3] The notoriously high price of land and the rising cost of construction materials are contributing factors. On the other hand, the Step-Up Housing Initiative uses an efficient and cost-effective modular construction model that provides 39 individuals with not only stable housing, but a safe and supportive environment where they can access critical employment, health, substance abuse, and community resources and services. Berkeley can help address the shortage of homes and effectively alleviate the City's homelessness crisis through this innovative and practical project.

CURRENT SITUATION

On October 13, 2020 the Council unanimously passed Resolution # 69,586-N.S. to authorize use of $900,000 a year to fund a new 39-unit Step Up Supportive Housing project at 1367 University Ave. (See attachment.) BOSS is the operator of the facility, and Panoramic Interests/Swinerton Builders would construct and furnish it.

Since then, dramatic increases in construction prices and materials, supply chain complications and dramatic increases in interest fees have caused the project construction costs to rise more than 50%. At current rents of $1,400 per unit per month, the project is infeasible and cannot be financed. If, however, rents can be raised to $1,645 per month, the project can proceed. The higher rents would justify a larger construction loan to finance the additional costs.

To cover these increased rents, additional Measure P funds of $114,660 per year are needed, beyond the $900,000 already allocated. This is an increase of 12.7%.

A RECAP OF THE PROJECT -

The project will include 39 fully furnished studio apartments, private bathrooms for each studio, a 400-square-foot community room, a community kitchen, two offices for support staff and services, permanent on-site property management, and 24/7 security. The building will be constructed with modular units built around an approximately 615-square foot private central courtyard.

BOSS will provide services for Step-Up Supportive Housing including connecting residents to mental health resources, substance abuse recovery services, employment, education, and legal services and will accompany them to service providers when appropriate. The program will ensure participants obtain health insurance coverage and connect them to primary care providers. Opportunities for socialization and peer support will be provided through the organization of on-site support groups, learning workshops, social activities, community meals, and service visits by outside providers. BOSS will also manage an on-site food pantry in collaboration with Alameda County Community Food Bank. These services will help residents maintain stable housing, improve mental and physical health, and decrease social isolation. On-site service hours will be provided Monday-Friday, 9 am-5 pm, but the case manager or designated staff will be on-call as needed at all times.

The program will be staffed by several employees, including a program manager, housing manager, property manager, cook, maintenance worker, and overnight monitor.

REVIEW OF EXISTING POLICIES AND PLANS

Berkeley voters overwhelmingly passed Measure P in November 2018 with 72% of the vote. The Measure raised the transfer tax on property sales over $1.5 million from 1.5% to 2%, which is expected to generate approximately $6-8 million annually. These funds were intended to be allocated towards various homeless services, including permanent housing, supportive services, and navigation centers.

Measure P also created an independent commission, the Homeless Services Panel of Experts, to provide recommendations on funding allocations to the City Council. In December 2019, the Homeless Services Panel of Experts published its first set of recommendations for initial investments from the General Fund to address homelessness in Berkeley. The Panel's recommendations prioritized certain categories of activities and set forth a percentage of funding for each category. Permanent housing was listed as the top priority, with 30% of the funds recommended to be allocated towards such projects. The remainder was recommended to be allocated towards shelter and temporary accommodations, immediate street conditions and hygiene, supportive services, flexible housing subsidies, and infrastructure. The City Council approved on June 30, 2020, Measure P allocations for FY 2020-21 that included $2.5 million for permanent housing subsidy.

In 2017, the City Council also referred staff to create a 1000 Person Plan, which seeks to end homelessness for 1000 people in Berkeley. In 2019, City staff responded to this referral and concluded that the Council needed to provide up-front investments in targeted homelessness prevention, light-touching housing problem-solving, rapid rehousing, and permanent subsidies. This proposal to lease and operate the StepUp Housing initiative at 1367 University would help move forward the 1000 Person Plan and accomplish the Homeless Services Panel's top priority of providing stable and permanent supportive housing for individuals experiencing homelessness.

In addition, this project also fulfills the goals of the original StepUp Housing initiative, which passed unanimously on February 14, 2017.

CONSULTATION/OUTREACH OVERVIEW

Councilmember Bartlett's office collaborated with BOSS and Panoramic Interests to ensure the long-term success of this new permanent supportive housing project, the StepUp Housing initiative. By bringing together BOSS's expertise in the field of supportive services and Panoramic's efficient modular construction model, this project can be operational and begin providing stable housing to 39 individuals within twelve months of receiving this funding commitment, resulting in dramatic savings in costs and delivery time.

BOSS was founded in Berkeley in 1971 to serve severe and persistent mentally ill homeless individuals and their families, and has since expanded to serve over 3,000 families and individuals per year across Alameda County, including persons experiencing homelessness, mental illness, former incarceration/justice system involvement, domestic or community violence, unemployment, and other crises. BOSS has 49 years of experience serving the target population, and 45 years of experience operating emergency, transitional, and permanent housing programs.
Panoramic Interests has been building high density infill development projects in the Bay Area since 1990. Its work in downtown Berkeley and San Francisco includes 15 projects, adding more than 1,000 new units of housing, and 100,000 square feet of commercial space. From 1998-2004, Panoramic built seven new mixed-use apartment buildings in downtown Berkeley. During this time, Panoramic housed more than 80 Section 8 tenants, making it the largest private provider of Section 8 housing in the city.

This collaborative effort between the city, the service provider, and the developer can serve as a regional model for future permanent supportive housing projects in Berkeley and throughout the Bay Area.

RATIONALE FOR RECOMMENDATION

The City committed to funding a Step-Up Supportive Housing facility in October of 2020. The project was expected to be completed sometime in 2021-2022 but saw escalating prices, supply chain complications and rising interest rates as the final budgets were established.
The additional project costs rose by more than 50% making the project infeasible, at the original rents of $1,400 per unit per month. (See attached documents.)

The City's additional funding commitment will enable the project to be completed as planned. It will help the homelessness crisis by allowing for the long-term and stable housing of 39 individuals experiencing homelessness as well as the provision of on-site services to help those individuals retain housing, improve their mental and physical health, connect with employment and education opportunities, and decrease social isolation. In addition, this project will serve as a regional model for other jurisdictions to consider when dealing with the homelessness crisis in their cities.

FISCAL IMPACTS

The new permanent supportive housing project, known as the Step-Up Housing at 1367 University is requesting an additional $114,660 per year for 10 years to cover an increase in the rental rate from $1,400 per unit per month to $1,645 per unit per month. The $114,660 allocation represents a 12.74% increase from the original allocation of $900,000 per year.

ENVIRONMENTAL SUSTAINABILITY
The project itself was determined by the Planning Department to be categorically exempt from the provisions of the California Environmental Quality Act pursuant to Section 15332 (In-Fill Development Projects) of the CEQA Guidelines.

CONTACT PERSON

Councilmember Ben Bartlett	510-981-7130
James Chang	jchang@cityofberkeley.info

ATTACHMENTS AND MATERIALS
1. Proposed Resolution
2. Letter from Donald Frazier, Exec. Dir. BOSS to Mayor Arreguin, 6-6-22
3. Budget from Swinerton Builders, June 3, 2002 showing cost increases of $3M+.
4. Past Resolution NO. 69,586-N.S. October 13, 2020
5. Articles: "Soaring material prices, supply chain delays spook owners and developer." Construction Dive, 4-12-21. "Mortgage rates spike to their highest level in nearly 13 years." Washington Post, 5-5-22. Step Up Housing Council Item from February 14, 2017:
6. Additional Links
    a. https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-272.pdf
    b. https://www.sacbee.com/article245815115.html
    c. https://www.latimes.com/homeless-housing/story/2020-04-09/california-low-income-housing-expensive apartment-coronavirus
    d. https://drive.google.com/file/d/1sUgEAKJfpRaNMBAzSFdd9ajV9CA06HOe/view?usp=sharing

RESOLUTION NO. ##,###-N.S.

ALLOCATING AN ADDITIONAL $114,660 ANNUALLY FOR 10 YEARS OF MEASURE P FUNDS TO LEASE AND OPERATE THE NEW PERMANENT SUPPORTIVE HOUSING PROJECT FOR THE HOMELESS AT 1367 UNIVERSITY AVE.

WHEREAS, the City Council passed unanimously the original Step Up Housing Initiative introduced by Councilmember Bartlett, Councilmember Wengraf, Councilmember Kesarwani, and Mayor Arreguin on October 13, 2020; and

WHEREAS, Measure P was passed by Berkeley voters in November 2018 to raise the transfer tax on roughly the top-third of properties from 1.5% to 2% and allocate those funds towards various homeless services, including permanent housing, supportive services, and navigation centers; and

WHEREAS, Measure P designated the Homeless Services Panel of Experts to advise the Council on expenditures for homeless services; and

WHEREAS, in December 2019 the Homeless Services Panel of Experts published their recommendations for initial allocations under Measure P, including highlighting permanent housing as the City's top priority and recommending 30% of Measure P funds be allocated to permanent housing; and

WHEREAS, the City Council approved on June 30, 2020 Measure P allocations for FY 2020-21 that included $2.5 million for permanent housing subsidy; and

WHEREAS, the Berkeley Zoning Adjustments Board approved the permanent supportive housing development project at 1367 University on July 9, 2020.

WHEREAS, construction costs, materials costs, and interest rates have increased dramatically in the past 18 months, making the project infeasible at the current rent of $1,400 per unit per month

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the following be approved for the StepUp Housing at 1367 University Ave:

- A reservation of approximately an additional $114,660 year in ongoing funds annually for 10 years for the leasing and operation of the proposed project, with funding adjusted annually based on the Consumer Price Index for Oakland-Hayward-Berkeley, CA.
- In the event BOSS is unable to perform its function as the service provider, an alternative qualified service provider may operate the project with the review and approval of the City Manager, or her designee.
- Further, the City's commitment is contingent upon the funding of the balance of the project.

BE IT FURTHER RESOLVED that the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements to effectuate this action; a signed copy of said documents, agreements, and any amendments will be kept on file in the Office of the City Clerk.

June 6, 2022

Mayor Jesse Arreguin
2180 Milvia St.
Berkeley, CA 94704

Re: Permanent supportive housing at 1367 University Avenue, Resolution No. 69,586-N.S.

Dear Mayor Arreguin,

I am writing to request an additional **$245 per unit, per month**, for our permanent supportive housing project for the homeless at 1367 University Ave.

Since the Resolution was signed in October of 2020, construction costs have skyrocketed. Our development partner has experienced a 65% increase in construction costs since we signed our master lease with them 3 years ago. Additionally, interest rates for construction loans have almost doubled. In order to keep this housing project moving ahead, we are requesting that an additional $245/unit/month be made available to BOSS as an amendment to Resolution No. 69,586-N.S.

1. $245/unit/month: $245 x 39 units x 12 months = $114,660/year
2. Exhibit 1: Actual construction costs are on the following page (produced by Swinerton)
    a. 2019: Construction costs = $5,929,731
    b. 2022: Construction costs = $9,860,277
3. Exhibit 2: Resolution No. 69,586-N.S. is included for your reference
4. Exhibit 3: Recent news clippings about construction costs and interest rates

Please let me know what else you need from us to make this amendment to the Resolution.

Most Respectfully,

Donald Frazier
Executive Director

Cc: Colleen Chawla, Alameda County Health Care Service

Exhibit 1

2022-05 1367 University Ave - GMP

1367 University Ave, Berkeley CA

Berkeley

SWINERTON

Panoramic Development June 03, 2022

Description Division > MasterForm	Quantity	2019	2022
Total		$5,929,731	$9,860,277

Exhibit 2

RESOLUTION NO. 69,586-N.S.

ALLOCATING APPROXIMATELY $900,000 ANNUALLY FOR 10 YEARS AND A ONE-TIME AMOUNT OF APPROXIMATELY $32,975 OF MEASURE P FUNDS TO LEASE AND OPERATE THE NEW PERMANENT SUPPORTIVE HOUSING PROJECT FOR THE HOMELESS AT 1367 UNIVERSITY AVE.

WHEREAS, the City Council passed unanimously the original Step Up Housing Initiative introduced by Councilmember Bartlett on February 14, 2017; and

WHEREAS, Measure P was passed by Berkeley voters in November 2018 to raise the transfer tax on roughly the top-third of properties from 1.5% to 2% and allocate those funds towards various homeless services, including permanent housing, supportive services, and navigation centers; and

WHEREAS, Measure P designated the Homeless Services Panel of Experts to advise the Council on expenditures for homeless services; and

WHEREAS, in December 2019 the Homeless Services Panel of Experts published their recommendations for initial allocations under Measure P, including highlighting permanent housing as the City's top priority and recommending 30% of Measure P funds be allocated to permanent housing; and

WHEREAS, the City Council approved on June 30, 2020 Measure P allocations for FY 2020-21 that included $2.5 million for permanent housing subsidy; and

WHEREAS, the Berkeley Zoning Adjustments Board approved the permanent supportive housing development project at 1367 University on July 9, 2020.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approves the following for the project at 1367 University Ave:

- A reservation of approximately $32,975 in Measure P funds for start-up costs associated with the project.

- A reservation of approximately $900,000 in ongoing funds annually for 10 years for the leasing and operation of the proposed project, with funding adjusted annually based on the Consumer Price Index for Oakland-Hayward-Berkeley, CA.

- In the event BOSS is unable to perform its function as the service provider, an alternative qualified service provider may operate the project with the review and approval of the City Manager, or her designee.

- Further, the City's commitment is contingent upon the funding of the balance of the project.

BE IT FURTHER RESOLVED that the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements to effectuate this action; a signed copy of said documents, agreements, and any amendments will be kept on file in the Office of the City Clerk.

The foregoing Resolution was adopted by the Berkeley City Council on October 13, 2020 by the following vote:

Ayes: Bartlett, Davila, Droste, Hahn, Harrison, Kesarwani, Robinson, Wengraf, and Arreguin.

Noes: None.

Absent: None.

Jesse Arreguin, Mayor

Attest: Mark Numainville, City Clerk

Exhibit 3

CONSTRUCTIONDIVE Deep Dive Opinion Data Library Events Topics

DEEP DIVE

Soaring material prices, supply chain delays spook owners and developers

The rising cost of many materials and increased sourcing headaches have project owners rethinking their return to normalcy and threaten to derail construction's expected resurgence.

Published April 12, 2021

Joe Bousquin
Senior Reporter

The Washington Post

Mortgage rates spike to their highest level in nearly 13 years

The 30-year fixed average hasn't been this high since August 2009

By Kathy Orton
May 5, 2022 at 10:12 a.m. EDT

Homeless Services
Panel of Experts

ACTION CALENDAR
April 11, 2023

To: Honorable Mayor and Members of the City Council

From: Homeless Services Panel of Experts

Submitted by: Carole Marasovic, Chair, Homeless Services Panel of Experts

Subject: Recommendation for RV Lot and Waste Management on Streets for RVs

RECOMMENDATION

The Homeless Services Panel of Experts recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.

FISCAL IMPACTS OF RECOMMENDATION

This two-part recommendation needs to be evaluated by City staff and the Council Budget and Finance Committee to assess the costs of implementation.

CURRENT SITUATION AND ITS EFFECTS

The SPARK RV lot at 742 Grayson closed at the same time that Horizon at 742 Grayson closed at the end of December, 2022. While arrangements were made for the residents of Horizon to move into the Berkeley Inn, no lot could be identified to hold the residents of the SPARK lot.

The SPARK lot was a successful endeavor with a capacity of 40 RVs. Safety inspections were not required which may have led to a fire of a vehicle.

RVs formerly in the lot have been left to roam the streets with health and safety risks to the dwellers who formerly resided there and with complaints from the larger community.

RV dwellers have the legal right to shelter in their vehicles. They require a lot to do so. Despite the land limitations, the City needs to amp up efforts to identify another lot to be overseen by a social services provider. Fire extinguishers must be provided and there should be safety inspections.

For health and sanitation purposes, remaining RVS on the street should have waste management services provided. Waste management services were provided at SPARK, should be provided at the new RV lot and for the health and sanitation of the RV dwellers and the larger community should be provided to RV dwellers living on the streets given the limited capacity of the RV lot provided.

BACKGROUND

On February 1, 2023, the Homeless Services Panel of Experts recommended as follows:

Action: M/S/C Marasovic/Johnson recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.

Vote: Ayes: Johnson, Jones, Marasovic, Feller, Kealoha-Blake, and Meany.
Noes: None. Abstain: None. Absent: Bookstein.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

The benefits to the environment in terms of health and safety for the RV dwellers and the larger community, as to both recommendations, are indisputable.

RATIONALE FOR RECOMMENDATION

The need for the RV lot for the health and safety of the RV dwellers and larger community is stated above.

ALTERNATIVE ACTIONS CONSIDERED

Overnight lots, City or faith-based, could be explored but they are difficult to manage particularly by a single provider. In addition, they leave RV dwellers to wander the Berkeley streets during the day.

CITY MANAGER

See Companion Report.

CONTACT PERSON

Josh Jacobs, Homeless Services Coordinator, Neighborhood Services, (510) 981-5435

07b

Office of the City Manager

ACTION CALENDAR
April 11, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Peter Radu, Assistant to the City Manager

Subject: Companion Report to Recommendation for RV Lot and Waste Management on Streets for RVs

RECOMMENDATION

Refer the Homeless Services Panel of Experts' recommendation to identify and expedite a new safe RV parking location/program and develop a waste management plan for RVs on the streets to the Budget and Finance Policy Committee for consideration alongside all other homeless services priorities in the budget process.

FISCAL IMPACTS OF RECOMMENDATION

As the Homeless Services Panel of Experts mention in their report, this recommendation needs to be evaluated by City staff and the Council Budget and Finance Committee to assess the costs of implementation. Costs will vary depending on locations, number of vehicles served, and breadth of social services offered to participants.

CURRENT SITUATION AND ITS EFFECTS

Staff do not disagree with the spirit of the Homeless Services Panel of Experts recommendation to quickly identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson, that the new lot identified require mandatory safety inspections and fire extinguishers, and to develop a management plan to be implemented for RVs currently on the streets. However, this plan would require funding that is not currently identified. Moreover, as staff presented to the Budget and Finance Policy Committee on February 9, 2023, Measure P (the most likely source for implementing this recommendation) is projecting serious structural deficiencies over the remaining 5 years of its lifespan, and staff have recommended new shelter programs (such as the proposed master lease of the Super 8 at 1619 University Ave, which has the opportunity to leverage State funding on a 1:1 match basis) be prioritized first.

For these reasons, and given the limited staff capacity to identify, design, lease up and contract multiple new programs at once, we recommend sending this request to the Budget and Finance Committee for consideration in the budget process.

BACKGROUND

On February 1, 2023, the Homeless Services Panel of Experts recommended as follows:

Action: M/S/C Marasovic/Johnson recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.

Vote: Ayes: Johnson, Jones, Marasovic, Feller, Kealoha-Blake, and Meany.
Noes: None. Abstain: None. Absent: Bookstein.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no environmental concerns with the recommendation to refer this item to the Budget and Finance Policy Committee. This recommendation is consistent with emergency preparedness needs for the unhoused community.

RATIONALE FOR RECOMMENDATION

The resources available to the unhoused community are extremely limited and spending funding on a recreational vehicle lot needs to be weighed against the other funding priorities for our homeless services.

ALTERNATIVE ACTIONS CONSIDERED

Alternative sites could also be identified to expand current shelter capacity which may alleviate the need for additional lot space.

CONTACT PERSON

Josh Jacobs, Homeless Services Coordinator, Neighborhood Services, (510) 225-8035

Peace and Justice Commission

ACTION CALENDAR
APRIL 11, 2023

To: Honorable Mayor and Members of the City Council

From: Peace and Justice Commission

Submitted by: George Lippman, Chairperson, Peace and Justice Commission

Subject: Referral of two health educator positions to the COB FY 2024 budget process

RECOMMENDATION:
Refer to the budget process a request for estimated $150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission.

FISCAL IMPACTS OF RECOMMENDATION
Estimated annual cost: $150,000. This estimate was given by Dr. Lisa Warhuus, HHCS Director, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities.

CURRENT SITUATION AND ITS EFFECTS:
According to HHCS Director Dr. Lisa Warhuus, “the overriding health challenge in Berkeley are health disparities....For many years, we have seen significant disparities between the health status of our white community members (generally well above national averages), and our BIPOC community members. Geographically, this shows up with generally excellent health outcomes for people living in the hills, with less ideal outcomes in zip codes in South and West Berkeley (although this is shifting somewhat with gentrification). In recent years, other high-risk populations would include people experiencing homelessness and, to some extent, the LGBTQ+ community (though we need more research on the latter as it can very dependent upon circumstances).

“One of the biggest challenges we have in addressing health disparities is in the communications and outreach (prevention) component of the work. We need to do more culturally responsive outreach to those most negatively impacted by disparities, **engage and listen to what people feel is most needed**, and work with them to fill that gap. In doing so over the years, our Public Health division has often found that what is most missing is trust in the system, information and education done in a culturally responsive way, and clear access points for medical insurance, coverage, and a medical home.

“For instance, in a health assessment conducted by the Public Health Division in 2018, the highest priority identified by Berkeley participants to achieve a healthy community was communities that had access to basic needs and services (i.e. healthcare, housing, healthy food, transportation, etc.), felt connected and was treated with openness, tolerance, and inclusion, and had resources and up to date information on services. “The greatest threats to optimal health that community members identified were high costs of living, food security, and stress/mental wellness with recurring barriers being lack of or limited information and resources available to community members.”

At its regular meeting January 9, 2023, the Peace and Justice Commission adopted the following recommendation proposing the hiring of two health educator positions for the next fiscal year.

M/S/C: Bohn, Jaqulin.

Ayes: Lippman, Jacqulin, Bohn, Lee, Morizawa, Gussmann.

Noes: None.

Abstain: Maran.

Absent: Leon-Maldonado.

<u>ENVIRONMENTAL SUSTAINABILITY</u>
N/A

<u>BACKGROUND</u>
Peace and Justice commissioners, along with members of the Commission on the Status of Women and the Community Health Commission, recently met with HHCS Director Dr. Lisa Warhuus and Public Health Manager Janice Chin, at Council’s request, to discuss resources for and obstacles to reproductive health services and education. Dr. Warhuus clarified that “from the lens of HHCS, the work in Berkeley needs to be centered on health disparities in the larger context first,” and to “ensure that our Public Health Division continuously includes Reproductive and Sexual Health (RSH) work as a part of their broader health education, prevention, and outreach strategy.”

HHCS is bringing on a consultant who will organize and engage community members and other stakeholders to create a Community Health Assessment and a Community Health Improvement Plan, including a pilot program to create a health innovation zone to work toward remedying severe health inequities. Performance measures will be tracked through a new web-based population data health platform that will be rolled out as part of this process.

RATIONALE FOR RECOMMENDATION
HHCS would benefit from hiring staff and paying for materials and supplies out of general fund to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities.

The department is facing the lack of sufficient resources to do culturally responsive outreach, engagement, and prevention on an unconstrained basis. Engagement of these educators would assist with Reproductive and Sexual Health (RSH) outreach as part of the larger health outreach program.

ALTERNATIVE ACTIONS CONSIDERED
None

CITY MANAGER
See companion report.

CONTACT PERSON
George Lippman, Chairperson, Peace and Justice Commission
Okeya Vance-Dozier, Commission Secretary, (510) 684-0503

Office of the City Manager

ACTION CALENDAR
April 11, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Peter Radu, Assistant to the City Manager

Subject: Companion Report: Referral of two health educator positions to the COB FY 2024 budget process

RECOMMENDATION:
Refer to the Peace and Justice Commission's request for $150,000 annually for staffing, materials, and supplies for health education and outreach to the Budget and Finance Policy Committee for further deliberation.

FISCAL IMPACTS OF RECOMMENDATION
There are no fiscal impacts associated with this recommendation.

CURRENT SITUATION AND ITS EFFECTS:
The Peace and Justice Commission has requested $150,000 annually to fund two health educator positions. The City Manager does not disagree with the potential merit of this request, but rather recommends that Council clearly identify concrete impacts and outcomes for the positions, as well as a budget source, before referring them for funding. Moreover, further deliberation allows Council to work with staff to identify any existing baseline services that could be supplemented, which may provide a more cost-efficient means of meeting outstanding needs than hiring new staff.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS
There are no environmental benefits nor challenges associated with this recommendation.

BACKGROUND
At its regular meeting January 9, 2023, the Peace and Justice Commission adopted the following recommendation proposing the hiring of two health educator positions for the next fiscal year.

M/S/C: Bohn, Jaqulin.

Ayes: Lippman, Jacqulin, Bohn, Lee, Morizawa, Gussmann.

Noes: None.

Abstain: Maran.

Absent: Leon-Maldonado.

RATIONALE FOR RECOMMENDATION
A clearer picture of desired impacts and outcomes associated with this request compared to baseline services, as well as financial implications, should be identified at the Committee level before recommending them to the full Council for funding.

ALTERNATIVE ACTIONS CONSIDERED
Council could refer this request directly to the budget process.

CONTACT PERSON
Peter Radu, Assistant to the City Manager, (510) 981-7045.

CITY OF BERKELEY

Office of the City Manager

Date: June 23, 2022

To: Budget and Finance Policy Committee

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Finance Director

Subject: Investment Policies of Other Jurisdictions

The City's investment policy is a formal document which provides the guidelines for investments and operational structure in the management of public funds and is confirmed annually by the City Council.

One of the components of the City's investment policy is the section for responsible investing. This provides a list of identified restrictions that were ratified by the City Council. It is extremely important that the investment officer regards these as requirements when making decisions for investment purchase.

Each year the City's investment policy is updated to add all the responsible investing policies passed by city council throughout the year. Throughout the many years, the City has accumulated seven policy restrictions for responsible investing.

Most cities' have the three main statutory objectives in managing the investment programs which are safety, liquidity and return. However, due to the restrictions in City of Berkeley's investment, the investment program considers responsible investing as an additional objective. Compliance to these restrictions is highly regarded as a requirement for its investments. These results in limiting the type of investment offering the investment officer can purchase. Restrictions has a direct impact on diversification of funds and the rate of returns on investments.

On January 27, 2022 while discussing the Fourth Quarter Investment report, the Budget and Finance Committee asked that Finance conduct a comparison study in investment restriction for other cities in California. The Finance Department researched and reviewed the investment policies of the various cities to identify the investment restrictions for their investment program. Finance took the cities that it currently uses to benchmark the rate of returns on the City's quarterly investment report and identified the restrictions on their cities' investment policies.

2180 Milvia Street, Berkeley, CA 94704 ● Tel: (510) 981-7000 ● TDD: (510) 981-6903 ● Fax: (510) 981-7099
E-Mail: manager@CityofBerkeley.info Website: http://www.CityofBerkeley.info/Manager

Below is a summary of the findings from the research:

VARIOUS CALIFORNIA CITIES INVESTMENT RESTRICTIONS											
City	Rates Earned	DIVESTMENT FROM COMPANIES/MANUFACTURERS								INTEGRATE	
		Tobacco Products	Firearms	Fossil Fuels	Nuclear Power	Private Prison and Immigration Detention	Weapons	Oppressive States	Companies for Mexico Border Wall	Environment, social and governance principle	Investing Community Well Being
Palo Alto	1.58%	X	X	X							
Los Angeles	1.09%										
San Jose	1.08%										X
Sacramento	0.99%										
Torrance	0.98%										
San Diego	0.83%										
Berkeley	0.80%	X	X	X	X	X	X	X	X	X	
Santa Monica	0.54%	X	X	X	X						
San Francisco	0.48%	X	X		X						
Oakland	0.19%	X	X	X							

Encouraged Not Required

Discouraged Not Required

Research Analysis:

The study shows that there is a direct correlation between the number of restrictions to the rate of returns for various jurisdictions. The cities that have no restrictions or encouraged restrictions without it being mandated are the cities that have higher rate of return on their investment. Cities with restrictions are the ones who have lower rate of return. The City of Berkeley rate of returns still remains fairly high amidst the restrictions in the investment policy.

As a result of the differences in the investment policies of different cities, including responsible investing policies, maturity restrictions, investment restrictions, etc., it is difficult for any City to come up with a reasonable performance measure for pooled cash investments. In order to provide some measure of the relative performance of the City's investment returns, past City Councilmembers requested that information about the rates earned by other California cities be included in the quarterly investment reports for comparison purposes, despite the differences in the investment policies of the various cities.

Measure T1 Funding Gap Recommendations

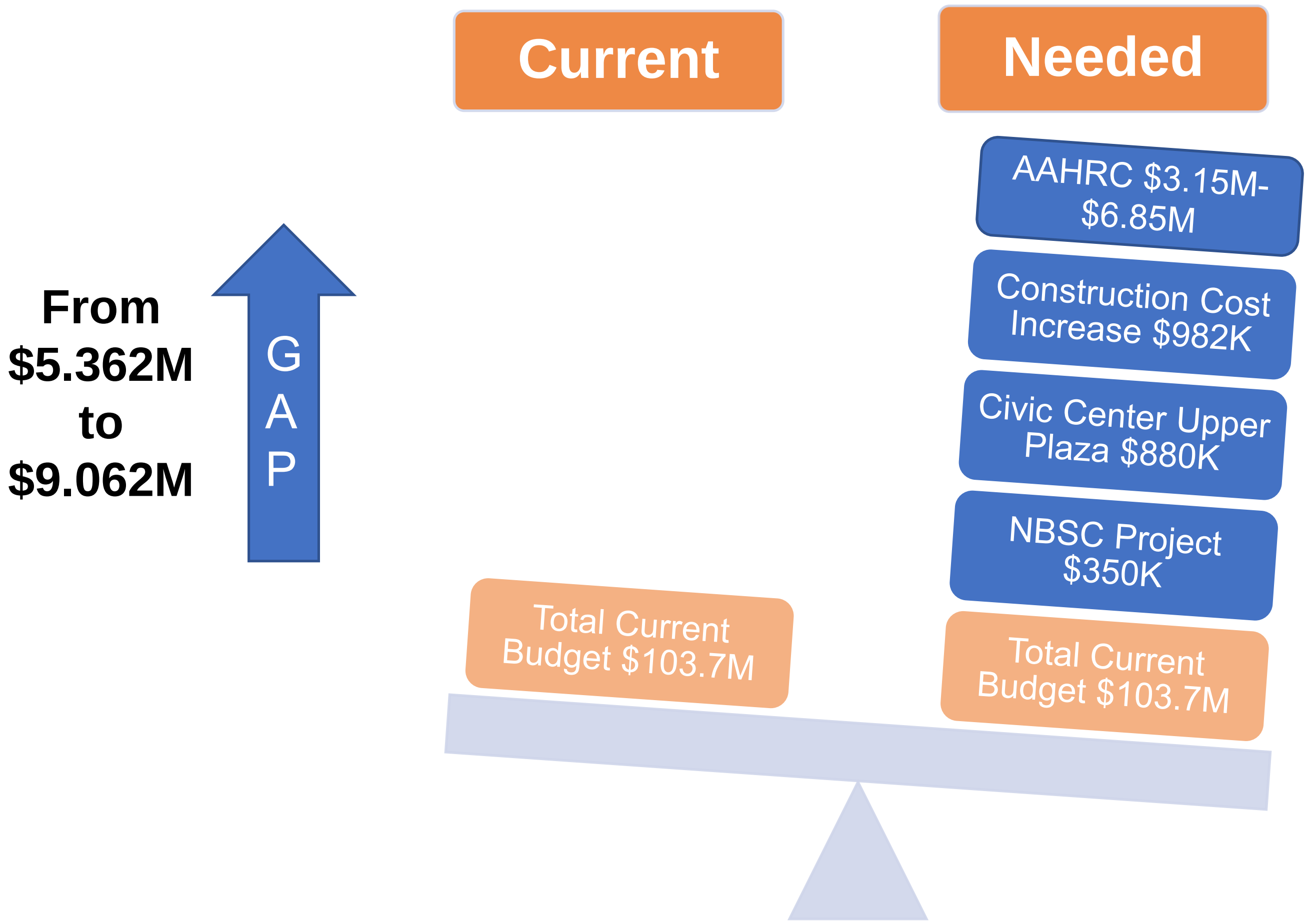
Budget and Finance Policy Committee

20 April 2023

PURPOSE

- Review T1 funding gap
- Discussion of non-CIP funding sources
- Discussion of current CIP projects and funding sources
- Options for Council action

MEASURE T1 FUNDING GAP



COUNCIL DIRECTION

Council Jan 31, 2023 Direction:

- Fully Fund African American Holistic Resource Center & the Upper Civic Center Plaza Improvements - Turtle Island Monument

- Use criteria to develop funding options
  - Public-facing
  - Public-serving
  - Leveraging funds
  - Significant planning

- Funding options - grants, excess equity, other funding sources and project deferral

- Recommendations for AAHRC based on size

TIMING OF FUNDING NEED

TOTAL

$5.362M or $9.062M

FY 24

$2.21M

FY 25

AAHRC

4,000 sq ft
$3.15M

AAHRC

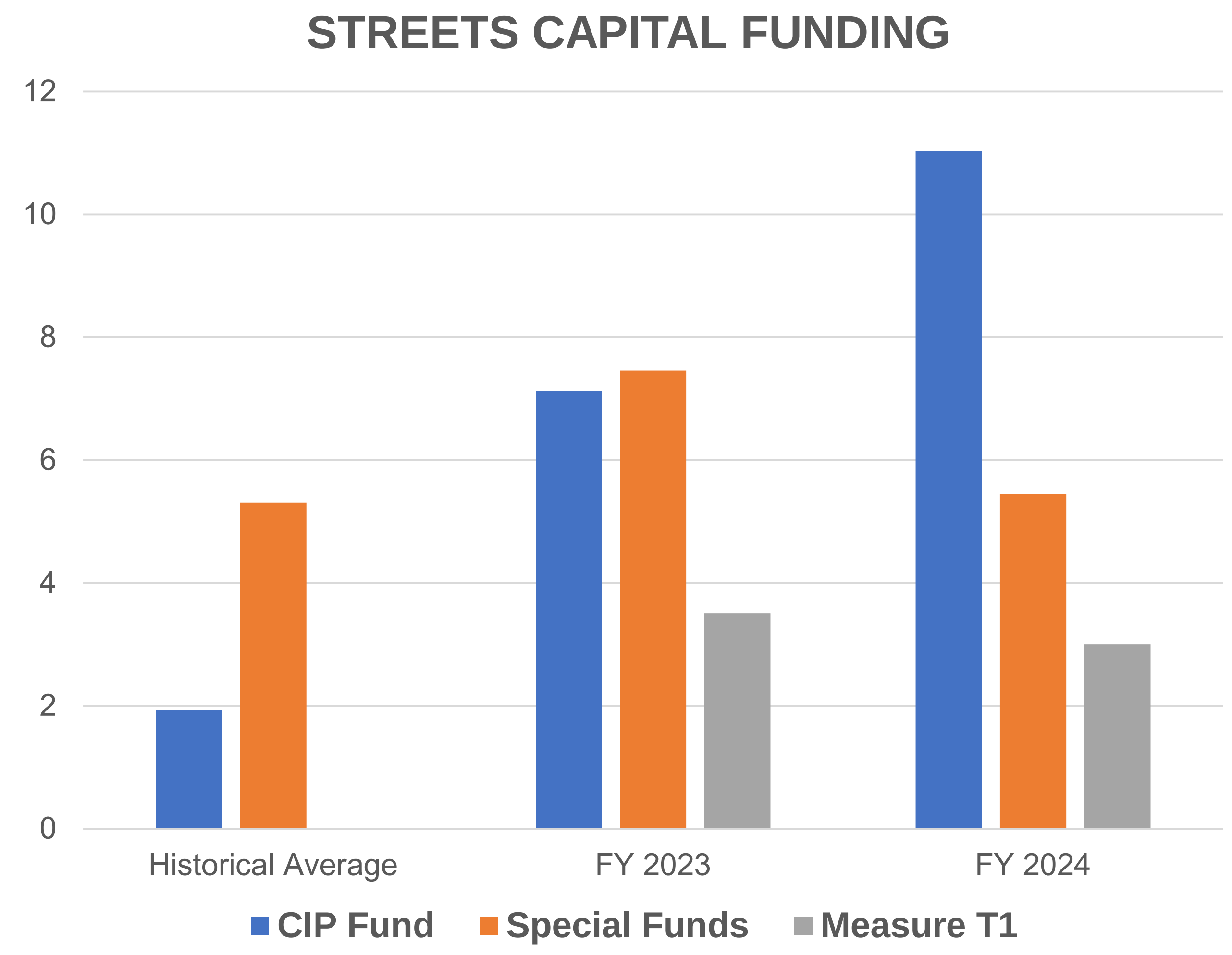
6,000 sq ft
$6.85M

ALTERNATIVE FUNDING SOURCES

- Use of FY 2024 Streets Funding
- Use of General Fund FY 2022 Excess Equity
- Use of General Fund Reserves
- Use of Public Liability Fund
- Use of CIP Fund

STREETS FUNDING SOURCES

- Historically, CIP Streets Funding consisted of the following recurring baseline funding sources and **averaged $7.00 million annually.**
  - $1.93 million – CIP Fund
  - $2.00 million – SB1
  - $2.70 million – Measure BB LS&R
  - $450k – State Transportation Tax
  - $155k – Measure F
- Due to Measure T1, an increase in 1x CIP Fund allocation, and overall increase from the baseline funding sources**, the FY 2023 Adopted Budget is $18.03 million and FY 2024 Adopted Budget is $19.48 million.**



GENERAL FUND EXCESS EQUITY

Use of Excess Equity in the AAO#1 & AAO#2:

- $67.8K for Employer of Choice Initiative
- $230K for Labor Standards Enforcement & $50K for Fair Work Week Ordinance Outreach
- $100K for Harriet Tubman Terrace Tenant $150K for La Peña Cultural Center Capital Grant; $50K for Strawberry Creek Lodge Food Program & $6K for Berkeley Junior Jackets Field Use
- $50K for MLK and Addison Intersection Imprvmt & $1.0 million for Southside Complete Streets
- $1.5 million for additional GF Reserves
- $100K for Homeless Outreach Coordinator
- $376K for November 2022 Election; $200K for Tree work for storm damage; $70K for Police staffing assessment & $120K for mailings and outreach for eviction moratorium

Recommendation for Measure T1 Projects Funding Gap = $240K

GENERAL FUND EXCESS EQUITY CALCULATION (EXCLUDES MEASURE P)

FY 2022 Beginning Balance	$	19,806,333
FY 2022 Revenues	$	263,936,692
FY 2022 Expenditures	$	(236,342,638)
Available Balance	$	47,400,387
Less:		
FY 2022 G. F. Encumbrances Restricted (AAO #1)	$	(8,980,951)
FY 2022 G.F. Carryover (AAO #1)	$	(5,936,110)
FY 2023 Other Adjustments (AAO #1)	$	(2,309,412)
	$	(17,226,473)
Available Balance After AAO #1 Items	$	30,173,914
Excess Property Transfer Tax to Balance FY 23 & 24 Operating Budget	$	(17,268,170)
Excess Property Transfer Tax to Replenish Reserves	$	(1,500,000)
Excess Property Transfer Tax Available for Capital	$	(8,569,573)
	$	(27,337,743)
Available Balance After Pre-Funding of Excess Property Transfer Tax	$	2,836,171
Additional Allocation to Reserves (part of AAO#2)	$	1,522,439
Excess Equity Balance	$	1,313,732
Less other AAO#2 Items	$	845,831
Net Available Excess Equity Balance	$	467,901

GENERAL FUND RESERVES

- T1 funding gap does not meet criteria based on policy.
- However, Council has the option to reduce the $4M in pre-funding of reserves included as part of the FY 24 Adopted Budget.
- Option would delay the repayment of the $10M borrowed from the reserves during the pandemic.

- On January 24, 2017, the City Council adopted Resolution No. 67, 821-N.S., establishing the City's Council's Policy for the General Fund Reserves.
- A **Stability Reserve** will be maintained to mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls, and not to serve as a funding source for new programs or projects.
- A **Catastrophic Reserve** will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other catastrophic event. The Catastrophic Reserve will be used to respond to extreme, onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The Catastrophic Reserve will not be accessed to meet operational shortfalls or to fund new programs or projects.

PUBLIC LIABILITY FUND

- Purpose to cover costs related to damage, loss, or injury that results from the routine operations of the City that is not covered by the City's insurance
- Funded by General Fund
- Projected deficit in FY 23

	FY 2023 Adopted	FY 2023 Revised	FY 2024 Adopted	FY 2025 Projected	FY 2026 Projected
Beginning Balance	696,664	696,664	133,993	404,188	384,894
Revenues	**3,895,888**	**3,895,888**	**3,895,888**	**3,895,888**	**3,895,888**
Program (Transfer In from GF. 491011)	3,895,888	3,895,888	3,895,888	3,895,888	3,895,888
Transfer from General Fund					
Expenditures	**3,797,298**	**4,458,559**	**3,811,342**	**3,880,569**	**3,951,180**
Personnel	335,963	335,963	350,007	350,007	350,007
Non-Personnel	3,461,335	4,122,596	3,461,335	3,530,562	3,601,173
Annual Surplus/Shortfall	98,590	-562,671	84,546	15,319	-55,292
Ending Balance	795,254	133,993	218,539	419,507	329,602

PRELIMINARY CIP FUND FIVE-YEAR PROJECTION

	FY 2023 Adopted	FY 2024 Adopted	FY 2025 Projected*	FY 2026 Projected*	FY 2027 Projected*
BEGINNING AVAILABLE CASH BALANCE	**$8,165,917**	**$3,154,520**	**($739,349)**	**($3,069,806)**	**($5,398,143)**
TRANSFER FROM FUND 011 (ANNUAL BASELINE TRANSFER)	$4,950,905	$4,950,905	$4,950,905	$4,950,905	$4,950,905
TRANSFER FROM FUND 011 (EXCESS PROPERTY TRANSFER TAX)	$14,050,000	$13,420,000	$0	$0	$0
TOTAL REVENUES	$19,000,905	$18,370,905	$4,950,905	$4,950,905	$4,950,905
PERSONNEL - ZERO COLA	$2,269,652	$2,317,067	$2,317,067	$2,317,067	$2,317,067
NON-PERSONNEL	$21,742,650	$19,947,707	$4,964,295	$4,962,175	$4,962,175
TOTAL EXPENDITURES	$24,012,302	$22,264,774	$7,281,362	$7,279,242	$7,279,242
ANNUAL SURPLUS/(DEFICIT)	($5,011,397)	($3,893,869)	($2,330,457)	($2,328,337)	($2,328,337)
ENDING AVAILABLE CASH BALANCE	**$3,154,520**	**($739,349)**	**($3,069,806)**	**($5,398,143)**	**($7,726,480)**

*FY 2025 and outward years projections shows a return to baseline revenue and baseline expenditures.

REVIEW OF FUNDED CAPITAL PROJECTS

Review of all Capital Projects in Attachments 3a, 3b and 3c:

1. Council Criteria from 1/31 Meeting
   - Public-Facing
   - Public-Serving
   - Leveraging Funds
   - Significant Planning
2. Project Progress
3. Identified Funding Spent to Date
4. Funding Source

POSSIBLE PROJECTS TO DEFER TO FY25 OR BEYOND

General or CIP Funded Projects representing up to $1.7M

- **$400,000 – FY24 PRW CIP Fund Allocation**

This allocation is designated for replacing Cedar Rose 2-5 and 5-12 Play Structures. The design for this work is underway and construction funding for 1 of the 2 play structures is already available in FY24 Parks Tax funding.

- **$650,000 – 50% of FY23 GF Allocation for Cameras in the Public ROW**

This $1,293,889 project was the result of a referral by Councilmember Taplin. Ten locations have been identified by City Council. The acquisition and use policies will be up for City Council adoption in May. The remaining budget will ensure staff can implement cameras at least half of these intersections and potentially more. Should further budget be required, staff would return to City Council to make that request.

- **$300,000 – FY23 CIP Fund for 62nd Street Conversion to Cul De Sac.**

This project was the result of a referral by Councilmember Bartlett. Work on this project has not been started.

- **$350,000 – FY23 CIP Fund for Dredging of South Sailing Basin.**

This funding was the result of a referral by Councilmember Robinson. Work on this project has not been started.

T1 Funded Projects representing up to $12.675M

- **$6.75M- Street Paving Improvements**

This T1 funding has been assigned to the Hopkins Street project and while significant planning and public process has occurred, this project has been delayed indefinitely..

- **$2.8M- Tom Bates Community Space and Restroom**

While the $390,000 of T1P1 funding has been invested in establishing a sewer line in front of the Tom Bates Sports Complex and doing conceptual design, the project has not reached the "significant planning threshold." PRW staff will submit a $3M grant to augment additional work on site that uses this $2.8M as a match.

- **$1.5M- 1947 Center Street Improvements**

This project would improve the HVAC system throughout the 1947 Center Street building. $300,000 of the original $1.8M has already been allocated for design.

- **$680,000- Ohlone Lighting Project**

This project is still in the planning phase and has $680k remaining of the $700k budgeted.

- **$445,000- Cesar Chavez Park Restroom**

This project has just started preliminary design, and significant planning has not yet occurred. If reduced, a portable toilet will remain in the same location until future funding is located.

- **$500,000- North Berkeley Senior Center: Emergency Power Supply Solar Batteries**

This project has not yet started.

OPTION 1

Option 1 – Identify the $2,211,750 needed for FY24 and commit to either the 4,000 or 6,000 square foot AAHRC and allocate the needed funding ($3.15M or $6.85M) in FY25.

Option 1a

- Use funding from FY22 Excess Equity ($240K)
- Reassign $400K of T1 street funds
- Defer the following projects (totaling $1.58M) to the FY25 budget process:
  - $400K of PRW FY24 GF CIP for Cedar Rose Playgrounds
  - $680K of T1 for Ohlone Lighting
  - $500K of T1 for NBSC Solar Battery Storage

Option 1b

- Reassign $2,211,750 of T1 street funds.

OPTION 2

Option 2 – Identify all $9,062,000 in funding needed for the shortfall in all 11 T1 projects, including the 6,000 square foot AAHRC.

Option 2a

- Use funding from FY22 Excess Equity ($240K)
- Reassign $6.75M of T1 street funds
- Defer the following projects (totaling $2.072M) to the FY25 budget process:
  - $400K of PRW FY24 GF CIP for Cedar Rose Playgrounds
  - $522K of 40% of FY23 GF for Cameras in the Public Right of Way
  - $300K of FY23 CIP Funds for 62nd Street Conversion to Cul De Sac
  - $350k of FY23 CIP Fund Allocation for Dredging of South Sailing Basin
  - $500K of T1 funding for NBSC Solar Battery Storage

Option 2b

- Use funding from FY22 Excess Equity ($240K)
- Reassign $1.197M of T1 street funds
- Defer the following projects (totaling $7.625M) to the FY25 budget process:
  - $2.8M of T1 funding for Tom Bates Restroom and community space
  - $1.5M of T1 funding for 1947 Center Street HVAC Improvements
  - $400K of PRW FY24 GF CIP for Cedar Rose Playgrounds
  - $650K of 50% of FY23 GF for Cameras in the Public Right of Way
  - $300K of FY23 CIP Funds for 62nd Street Conversion to Cul De Sac
  - $350K of FY23 CIP Fund Allocation for Dredging of South Sailing Basin
  - $500K of T1 funding for NBSC Solar Battery Storage
  - $680K of T1 Funding for Ohlone Lighting Project
  - $445K of T1 Funding for Cesar Chavez Restroom

OPTION 3

Option 3 – Identify all $5,361,750 in funding needed for the shortfall in all 11 T1 projects, including the 4,000 square foot AAHRC.

Option 3a

- Reassign $5.361M of T1 street funds

Option 3b

- Use FY22 Excess Equity ($240K)
- Reallocate $321,750 of T1 streets funds
- Defer the following projects (totaling $4.8M) to the FY25 budget process:
  - $2.8M of T1 funding for Tom Bates Restroom and Community Space
  - $1.5M of T1 funding for 1947 Center Street Improvements
  - $500K of T1 funding for NBSC Solar Battery Storage

NEXT STEPS

- Budget and Finance Policy Committee to discuss staff presentation and options during the April 20, 2023 meeting
- Budget and Finance Policy Committee to provide direction on closing the fund gap to complete Measure T1 Projects during the April 20, 2023 meeting
- City Manager to return to the full City Council at one of the May 2023 meetings with recommendations for how to close the project funding gap (after direction from the Budget and Finance Policy Committee)

Office of the City Manager

To: City Council Budget and Finance Policy Committee
From: Dee Williams-Ridley, City Manager
Date: April 20, 2023

Submitted by: Sharon Friedrichsen, Budget Manager
Scott Ferris, Director, Parks Recreation & Waterfront
Liam Garland, Director, Public Works

Subject: Measure T1 Funding Gap

INTRODUCTION

The purpose of this memo is to help City Council identify funding for the $5.362M or $9.062M gap for Measure T1 projects. Included in this document are discussions of existing capital projects funded by General Fund (GF) and T1, borrowing options, GF excess equity, public liability fund and the Capital Improvement Project (CIP) fund. Staff made City Council aware of this gap on January 31, 2023 and City Council referred it to the Budget and Finance Commission.

T1 FUNDING GAP

This T1 funding gap exists because of significant construction cost increases over the last two years and unanticipated costs to the African American Holistic Resource Center (AAHRC), Civic Center Upper Plaza Improvements – Turtle Island Monument (TIM) and the North Berkeley Senior Center (NBSC) projects (see Attachment 1). These increases and unanticipated costs are discussed below.

<u>Construction Cost Increases ($981,750)</u>
Construction costs have increased 26% over the last two years (2020 – 2022). These increases have required staff to reduce design and construction scopes and identify other funding sources where possible in order to complete many T1 phase 2 (T1P2) projects. Examples of these issues can be seen in the Willard Clubhouse replacement project and the new Ohlone ages 2-5 and 5-12 Playgrounds and Mural Garden project. Less than 16 months ago, the Willard Clubhouse preferred conceptual design was reduced by more than 30% in order to complete the total project with the original T1 budget allocation of $7M. The construction contract at Ohlone Park, which was recently awarded at City Council in December of 2022, needed an additional $200,000 (or 10% additional project funding) of PRW CIP funds in order to proceed.

Unfortunately, eight T1P2 projects cannot be reduced in scope, and in fact, need an additional 15% in funding in order to produce a baseline project. This list includes four public restrooms, Marina Docks D&E replacement, the 1947 Center St. building improvements, and two projects at the Corporation Yard. In total, an additional $981,750 is needed to complete these projects.

North Berkeley Senior Center (NBSC): $350K
This $11.086M project is currently in the close-out phase and has approximately $350,000 of existing costs that are over and above the existing project budget (T1, FEMA grant and CIP funds). These costs include construction and legal fees incurred to-date.

Civic Center Park Upper Plaza Improvements - Turtle Island Monument: $880K
In March of 2023, this project received approval from the Landmarks Preservation Commission. This approval will result in the issuance of a Structural Alteration Permit and construction in FY24. With construction cost increases and the recent scope changes that include additional indigenous art, water and lighting elements, the cost of the overall project has increased to $2.5M, without the artwork. It is anticipated that the artwork, which is estimated to be in the $500,000 range, will be funded by the Civic Arts Commission budget. This project is funded by T1, a Clean California grant, Civic Arts and Parks Tax. This project could be reduced by $300,000 if the stonework in the upper plaza were only partially replaced.

African American Holistic Service Center (AAHRC: $3.15M- $6.85M)
The AAHRC currently has $8.25M in total project funding (comprised of $7M T1, $225K GF and $1M in a federal earmark). Until last year, this funding would have been enough to complete the renovation of the 4,000 square foot city-owned building at 1890 Alcatraz Street. With increasing construction costs and the completion of a recent engineering assessment of the building and site (structural and geotechnical) which found significant structural problems[1], City staff recommended that this building be replaced. At the January 31, 2023 meeting, City Council acted to eliminate the option of renovating the existing structure at 1890 Adeline, leaving only the size of building to be determined. A 4,000 square foot building will cost an additional $3.15M and a 6,000 square foot building will cost an additional $6.85M.

The 6,000 square foot building will allow for a community room and additional therapy rooms and a youth space that will be used to help reduce the effects of racism.
The project architect cannot proceed with the design phase until direction on this issue can be provided.

CITY COUNCIL'S JANUARY 31 DIRECTION

The City Manager was directed to:

[1]Problems identified include inadequate shear capacity, diaphragm discontinuities, insufficient anchorage and cross ties, and expansive and unknown subsurface soils.

1. Fully fund the replacement of the African American Holistic Resource Center.
2. Fully fund the Civic Center Upper Plaza Improvements - Turtle Island Monument project.
3. Use the following criteria and return to the City Council with options for how to close the project funding gap: a. Prioritize projects that are public facing and public serving; b. Prioritize projects that have matching funds; and c. Prioritize projects that are in significant progress in the planning stage.
4. Look at all funding options including grants, General Fund excess equity, and any additional funding sources to close the funding gap, including potentially deferring projects that do not meet the outlined criteria.
5. Present the funding recommendations, and provide an update on the City's capital improvement projects, to the Budget & Finance Committee for consideration prior to returning to the full City Council.
6. Provide recommendations for the replacement of the African American Holistic Resource Center that reflect a 4,000 square foot project and a 6,000 square foot project.

POSSIBLE SOLUTIONS TO T1 FUNDING GAP

The solutions to the Measure T1 Phase Two (T1P2) overage could involve finding new funding, or reducing phase of a project (e.g., design but not construction), or deleting certain projects from the T1P2 list. Per the T1 Operations Manual (Section 4.5), such changes require consultation with the two Measure T1 lead commissions and action by City Council. After discussing this gap in their March meeting, the Parks, Recreation and Waterfront Commission took action during the April 12, 2023 meeting to suggest options for alternative funding (see Attachment 2). The Transportation and Infrastructure Commission discussed this item at their January and February 2023 meetings and did not take any action.

Halfway through Measure T1 Phase 1, a similar funding gap arose because extra projects were added to the original T1 list and there was a similar surge in construction costs. The T1 lead commissions both recommended that City Council proceed with the projects and allocate the needed $5.3M to finish all projects. Ultimately, this gap was borrowed from unallocated Phase 2 T1 Bond funds. A similar solution for the current gap is not possible because all Measure T1 bond funding has now been fully allocated.

In the January 31, 2023 City Council meeting, Council gave direction to staff to return with a list of all currently funded CIP projects; to evaluate these projects on whether they were public facing, public serving, contained matching or leveraged funds and if significant planning has occurred; to consider any other possible funding sources for this gap. Below is a discussion of these alternatives:

<u>Defer Existing CIP Projects with General Funding (up to $1.7M)</u>
Attachments 3a, 3b and 3c contain all current capital projects funded with T1, GF or CIP funds. Of these projects, staff are recommending the following four projects, totaling $1.7M, for possible deferral:

1. $400,000 – FY24 PRW CIP Fund Allocation- This allocation is designated for replacing Cedar Rose 2-5 and 5-12 Play Structures. The design for this work is underway and construction funding for 1 of the 2 play structures is already available in FY24 Parks Tax funding. Funding for the second structure could be reallocated in FY26 PRW CIP from GF or Parks Tax.
2. $650,000 – 50% of FY23 GF Allocation for Cameras in the Public Right of Way. This $1,293,889 project was the result of a referral by Councilmember Taplin. Ten locations have been identified by City Council. The acquisition and use policies will be up for City Council adoption in May. Should those policies be approved, this remaining budget will ensure staff can implement cameras at least half of these intersections and potentially more. Should further budget be required, staff would return to City Council to make that request.
3. $300,000 – FY23 CIP Fund Allocation for 62nd Street Conversion to Cul De Sac. This project was the result of a referral by Councilmember Bartlett. Work on this project has not been started.
4. $350,000 – FY23 CIP Fund Allocation for Dredging of South Sailing Basin. This funding was the result of a referral by Councilmember Robinson. Work on this project has not been started.

None of these General Funded projects have reached the threshold of “significant planning occurred” and 3 out of 4 of these projects do not have other funding sources.

<u>Defer, Reduce or Eliminate Existing CIP Projects with T1 Funding (up to $11.175M)</u>
Attachment 4 contains a list of all current T1 projects and notes and information about each project’s status. City staff is recommending the following 6 projects for possible deferral, reduction or elimination.

1. $6.75M Street Paving Improvements - This T1 funding has been assigned to the Hopkins Street project and while significant planning and public process has occurred, this project has been delayed indefinitely. These funds could be used to help close the T1 funding gap. All of the allocation is unspent.
2. $2.8M Tom Bates Community Space and Restroom - While the $390,000 of T1P1 funding has been invested in establishing a sewer line in front of the Tom Bates Sports Complex and costs for conceptual design, the project has not reached the “significant planning threshold.” PRW staff has been working on and will submit a $3M grant to augment additional work on site that uses this $2.8M as a match.
3. $1.5M 1947 Center Street Improvements - This project would improve the HVAC system throughout the 1947 Center Street building. $300,000 of the original $1.8M has already been allocated for design.
4. $680,000 Ohlone Lighting Project – This project is still in the planning phase and has $680k remaining of the $700k budgeted.

5. $445,000 Cesar Chavez Park Restroom – This project has just started preliminary design, and significant planning has not yet occurred. If reduced, a portable toilet will remain in the same location until future funding is located.
6. $500,000 North Berkeley Senior Center: Emergency Power Supply Solar Batteries – This project has not yet started.

<u>Use of FY24 Streets Funding</u>
The FY23 & 24 Biennial Budget includes $7M for streets in FY23 (not including an additional $1M for the Southside Streets project) and $11M for streets in FY24. Should City Council reduce FY24 General Funds for street maintenance, Public Works would begin deleting street segments proposed to be paved in summer 2024. A reduction in streets funding may contradict the City Council's July 26, 2022 policy, *Adequate General Fund Contribution for Street Maintenance to Prevent Deterioration of Pavement Condition*.

<u>Use of General Fund FY22 Excess Equity</u>
The FY22 Excess Equity calculation resulted in a balance of $4M, of which $1.5 million was allocated to reserves consistent with City policy. Of the remaining balance of $2.5M, approximately $1.5M was allocated as part of the AAO#1 for various projects and programs, including $1M to the Southside Complete Streets. The current FY22 Excess Equity balance is $986,000; however, approximately $746,000 of the balance is recommended to be allocated toward FY23 expenses as part of the forthcoming AAO#2, resulting in a balance of $240,000.

<u>Use of General Fund Reserves</u>
On January 24, 2017, the City Council adopted Resolution No. 67,821-N.S., establishing the City's Council's Policy for the General Fund Reserves. The T1 funding gap shortfall does not meet the criteria established within the policy to access either the Stability Reserve or the Catastrophic Reserve.

<u>Use of Public Liability Fund</u>
The public liability fund is intended to cover costs related to damage, loss, or injury that results from the routine operations of the City that is not covered by the City's insurance policies and programs. The budget for FY23 and 24 is $3.9M annually and funded by an annual transfer from the General Fund. The fund is projected to end FY23 with a shortfall of approximately $600,000.

<u>Use of CIP Fund</u>
The FY23 Adopted ending available cash balance is approximately $3 million. Given the nature of capital improvement projects, funding is often appropriated in one fiscal year, but not fully spent in that year, and more often, takes multiple years to be fully spent. If there are no salary savings associated with the personnel that are charged to the CIP fund and all funded projects were completed within the fiscal year, the ending available cash balance for FY 24 is anticipated to be approximately -$700,000. Absent any project deferments or deletions of capital projects, the CIP Fund is not a viable option for filling the current T1 funding gap.

OPTIONS TO SOLVE T1 FUNDING GAP

Measure T1 project staff have worked hard to reduce scope or find additional funding from existing Public Works (PW) and Parks, Recreation and Waterfront (PRW) Capital funds in FY23 - FY25, but staff have determined that 11 projects cannot be completed without additional funding, (see Attachment 1). The funding needed for "construction cost only increases (8 projects)", the NBSC and the Civic Center Park Upper Plaza Improvements – Turtle Island Monument totals $2,211,750 and is needed in FY24. The remaining funding for the AAHRC ($3.15M or $6.85M) is not needed until FY25.

<u>Option 1</u>
Identify the $2,211,750 needed for FY24 and commit to either the 4,000 or 6,000 square foot AAHRC and allocate the needed funding ($3.15M or $6.85M) in FY25. Staff need knowledge of the size of the AAHRC now in order to proceed with design. Changing that commitment would lead to waste of up to $1M in design work over the next year. Option 1 can be accomplished by doing one of the following:

a. Use funding from FY22 Excess Equity ($240K), reassign $400K of T1 street funds, and defer the following projects (totaling $1.58M) to the FY25 budget process:
   - $400K of PRW FY24 GF CIP for Cedar Rose Playgrounds
   - $680K of T1 for Ohlone Lighting
   - $500K of T1 for NBSC Solar Battery Storage

   Or…

b. Reassign $2,211,750 of T1 Street Funds.

<u>Option 2</u>
Identify all $9,062,000 in funding needed for the shortfall in all 11 T1 projects, including the 6,000 square foot AAHRC. Option 2 can be accomplished by doing the following:

a. Use funding from FY22 Excess Equity ($240K), reassign $6.75M of T1 street funds, and defer the following projects (totaling $2.072M) to the FY25 budget process:
   - $400K of PRW FY24 GF CIP for Cedar Rose Playgrounds
   - $522K of 40% of FY23 GF for Cameras in the Public Right of Way
   - $300K of FY23 CIP Funds for 62nd Street Conversion to Cul De Sac
   - $350k of FY23 CIP Fund Allocation for Dredging of South Sailing Basin
   - $500K of T1 funding for NBSC Solar Battery Storage

   Or…

b. Use FY22 Excess Equity ($240K), reassign $1.197M of T1 street funds and defer the following projects (totaling $7.625M) to the FY25 budget process:
   - $2.8M of T1 funding for Tom Bates Restroom and community space
   - $1.5M of T1 funding for 1947 Center Street HVAC Improvements

$400K of PRW FY24 GF CIP for Cedar Rose Playgrounds
$650K of 50% of FY23 GF for Cameras in the Public Right of Way
$300K of FY23 CIP Funds for 62nd Street Conversion to Cul De Sac
$350K of FY23 CIP Fund Allocation for Dredging of South Sailing Basin
$500K of T1 funding for NBSC Solar Battery Storage
$680K of T1 Funding for Ohlone Lighting Project
$445K of T1 Funding for Cesar Chavez Restroom

<u>Option 3</u>
Identify all $5,361,750 in funding needed for the shortfall in all 11 T1 projects, including the 4,000 square foot AAHRC. Option 3 can be accomplished by doing the following:

a. Reassign $5.361M of T1 street funds

   Or…

b. Use FY22 Excess Equity ($240K), reallocate $321,750 of T1 Streets funds, and defer the following projects (totaling $4.8M) to the FY25 budget process:
   $2.8M of T1 funding for Tom Bates Restroom and Community Space
   $1.5M of T1 funding for 1947 Center Street Improvements
   $500K of T1 funding for NBSC Solar Battery Storage

Attachments:
1 – T1 Summary of Additional Needs
2 – Parks, Recreation & Waterfront Commission Communication on T1 Funding Gap
3a – Current PRW Capital Projects
3b –Current PW Capital Projects
3c – Current Other Capital Projects
4 – Current T1 Projects

Measure T1 Funding Gap

April 2023

ATTACHMENT 1

Projects Requiring Additional Escalation

Category	Project Name/Description	Budgeted	Leverages other funds	Completed / Bidding / Encumbered	In Design	Apply Escalation?	Addl 15% Escalation	Possible to Reduce Scope?	Additional Funding Required	Public-Facing	Matching Funds	Significant Planning has Occurred	Notes
Care and Shelter and Non- Departmental Citywide Facilities	Restrooms in the ROW San Pablo/University	450,000			x	Yes	67,500	No	67,500	x		x	At 50% design, location being identified.
	Restrooms in the ROW Alcatraz/Adeline	450,000			x	Yes	67,500	No	67,500	x		x	At 50% design, location being identified.
Buildings in Parks	Harrison Park - Restroom Renovation	450,000			x	Yes	67,500	No	67,500	x		x	In conceptual design
	Ohlone Park - New Restroom	500,000			x	Yes	75,000	No	75,000	x		x	At 35% design, location and model determined.
Waterfront	Marina D and E Dock Replacement	595,000	$5.5M DBAW loan (MF); $1.5M State earmark		x	Yes	89,250	No	89,250		x	x	At 60% design.
Facilities	1947 Center Street Improvements	1,800,000			x	Yes	270,000	No	270,000	x		x	HVAC component is at 35% design; seismic assessment to start by June 2023.
	Corporation Yard - Green Room Lockers, Bathroom, Training Room, Floor, Cabinets - Building B	1,700,000		x	x	Yes	255,000	No	255,000			x	Design completed, project bidding.
	Corporation Yard - Storage Room - Roof Repair Bldg H	600,000			x	Yes	90,000	No	90,000			x	At 50% design.
	Totals	**$ 6,545,000**							**$ 981,750**	**Escalation Min Need**			

Projects Requiring Additional Escalation and Unanticipated Costs

Category	Project Name/Description	Budgeted	Leverages other funds	Completed / Bidding / Encumbered	In Design	Possible to Reduce Scope?	Additional Funding Required	Public-Facing	Matching Funds	Significant Planning has Occurred	Notes
Care and Shelter and Non- Departmental Citywide Facilities	North Berkeley Senior Center	8,848,332	$363k PW CIP Fund FY23; $1.875M FEMA grant	x		N/A	350,000	x	x	x	This $350K is needed over and above allocated funding
	African American Holistic Resource Center (4,000 sq ft)**	7,000,000	$1M federal earmark; $250k GF		x	No	3,150,000	x	x		4K sq ft building require additional $3.15M to
	African American Holistic Resource Center (6,000 sq ft)***	7,000,000	$1M federal earmark; $250k GF		x	No	6,850,000	x	x		6K sq ft building require additional $6.85M to
Parks	Civic Center Park Upper Plaza Improvements - Turtle Island Monument	300,000	$596k Clean CA grant; $750K Parks Tax; Art Funding from Civic Arts Fund		x	No	880,000	x	x	x	Landmark Commission approval received in March 2023
							$ 4,380,000	****Additional Funding Needed (AAHRC-4,000 sq ft)**			
							$ 8,080,000	*****Additional Funding Needed (AAHRC-6,000 sq ft)**			

Total Funding Required

$ 5,361,750	**Total Funding Needed (AAHRC-4,000 sq ft)**
$ 9,061,750	**Total Funding Needed (AAHRC-6,000 sq ft)**

ATTACHMENT 2

MEMORANDUM

Date: April 12, 2023
To: Honorable Mayor and Members of the Berkeley City Council, and the Budget & Finance Committee
From: Parks, Recreation and Waterfront Commission
Subject: Measure T1 Phase 2 Shortfall Solution

Dear Mayor and Council Members,

The Parks, Recreation and Waterfront Commission (PRW) is committed to ensuring the success of the T1 Bond effort. We write now to share our recommendations on the current funding gap in Phase 2 T1 projects. These recommendations were an action item at the regular meeting of the PRW on April 12, 2023 and approved unanimously.

BACKGROUND

Working with the Public Works Commission we successfully advocated for the passage of the T1 Bond in 2016 and now want to ensure the best use of those funds, to address critical infrastructure needs, promote transparency, support the community, address inequities, and, of critical importance, **build long-lasting trust with Berkeley residents**. For example, to ensure the optimal allocation of T1 funds our commissions developed criteria on which to base selections for T1 projects. The original list of 7 criteria was defined in 2017 and used to prioritize Phase 1 projects. In 2020 those criteria were updated to include:

- Greatest Benefit
- Equity
- Health, Safety and Resilience
- Environmental Sustainability/Durability

Very importantly, we wanted to provide our residents with additional improvements in the areas of the city that have fewer parks, and in areas that have received less funding over the past decades. Addressing racial equity played a major part in formulating our final recommendations and we request that our focus on equity and our original project list remain a priority.

Those decisions were made before Covid-19, long before we witnessed the increased importance of our parks, open space, and a functioning infrastructure for the health and safety of our community. Providing our residents access to clean, accessible, and available facilities and open space is one of the most important duties we have before us.

CURRENT SITUATION

Staff have now identified a funding gap of $4.5 to $8.2M for the Phase 2 T1 projects. The City has faced T1 budgetary deficits in the past and found elegant solutions.

In 2019, the City faced a $6.8 million funding gap between the cost of the approved T1 Phase 1 Projects and the available Phase 1 bond funds. This gap was caused by "an increase in energy upgrades included in the facility projects, and soaring escalation in construction costs."

Because delay would increase the project costs and the importance of leveraging the voter approved T1 funds, the Council approved

* $1.5 million in interest income and
* the transfer of $5.3 million from the General Fund (GF) to the T1 fund to close the funding gap.

With this additional funding, all of the Phase 1 projects were fully funded.

In 2023, the City again faces a large gap of $4 – $8M between the estimated cost of the approved Phase 2 Projects and the available bond funding. While some of the shortfall is caused by large increases in construction costs, requiring the T1 fund to pay back the $5.3M GF transfer significantly decreased the bond funding available for Phase 2 T1 projects.

The Parks, Recreation and Waterfront Commission believes that all the approved T1 Phase 2 projects should be completed as they were recommended by both the Parks and Waterfront Commission and the Public Works Commission and approved by the City Council on Dec. 15, 2020. As discussed above, the projects in Phase 2 attempted to provide a more equitable distribution of facilities in the City, whereas Phase 1 projects were selected from existing shovel ready projects to meet the three-year bond spending requirement.

To solve the FY2023 funding cap, we ask the Council to come up with creative solutions that allow all approved projects to be complete. To facilitate finding a creative solution, we list several options for Council consideration.

Option 1. Over the next five years, allocate the increase in General Fund interest income over the 2022 baseline to the T1 Fund. The recent FY 2023 Mid-Year Budget Update presented to the Council reported that the increase in interest income over the 2022 baseline was $0.9M for the first six months. Due to the significantly higher interest rates in 2023, the annual increase in interest income for the full year is likely to be ~$2M/yr. Since interest rates are projected to remain high for some time, the excess interest income over 5 years would fund all of the T1 Phase 2 projects, including the preferred 6,000 ft^2 AAHRC.

Option 2. Forgive the 2019 General Fund loan and transfer $5.3 million back to the T1 account. As of June 30, 2022, the "unassigned" portion of the GF balance in the City's Investment Portfolio was $75 million. Transfer of 7% of the "unassigned" funds to the T1 fund would allow the completion of all of the Phase 2 projects and the construction of new 4,000 ft^2 African American Holistic Research Center (AAHRC).

Option 3. To get us to the preferred 6,000 ft2 AAHRC, in addition to Option 2, borrow an additional $3.7M from the Workers Compensation Fund (WC), à la the Premier Cru building purchase of $6.6M, and pay back the loan from the ten annual contributions from the GF capital equipment funds. This would allow all Phase 2 Projects to be completed and the construction of a 6,000 ft^2 AAHRC. In FY 22, the WC fund revenues exceeded expenses by $3M, increasing its "cash and cash equivalents, as of June 30, 2022, to over $49M.

Option 4. Assign the cost of connecting the proposed three public restrooms in the ROW at (a) Telegraph/Channing, (b) San Pablo/University, and (c) Alcatraz/Adeline to the City's Sanitary Sewer Fund. These three projects are estimated to cost $1.35M of which 50% is due to connecting the public toilets to the City's sewer lines. In 2022 the City's Sanitary Sewer Fund had revenues of $25.5M and expenses of $16.7M, generating a surplus of $8.8M, which increased its fund balance to $35M. Since these public toilets will address a great scarcity of public toilets in Berkeley and the Sewer funds has ample monies, they should pay the $0.7M cost of connecting the three new public restrooms to the sanitary sewer system. Implementing this policy of sharing the costs will facilitate the creation of more public restrooms.*

Option 4a. If the Sewer Fund is legally restricted from contributing to the cost of making a public restroom operational, then the City should consider using some of the interest revenue from the Sewer Fund's large balance to fund these costs.

Option 5. Consider assigning the Hopkins Corridor Project T1 funds to help close the T1 Phase 2 funding gap, if these funds cannot be spent within the three-year window specified by the bond covenants. Since the Hopkins Corridor Project has been indefinitely postponed, it may not be possible to reserve assigned T1 funds, since such funds have to be spent within 3 years of the bond tranche issue date. If the Hopkins project is delayed sufficiently, such that T1 funds cannot be used, the surplus funds could be used to close the T1 Phase 2 funding gap.

Authors: Gordon Wozniak, Erin Diehm and Claudia Kawczynska

Noted:
**We reached our conclusions after listening carefully to the public and other Commission commentary, that identified restrooms and play equipment as high priorities. As part of Phase 1 funding the City conducted a Citywide Restroom Study that helped to direct our selection of eight restrooms, three of which are located in the ROW requiring an additional expensive of sewer line hookups. Public restrooms are a vital community resource and a basic necessity.*

Citywide Restroom Study: **Berkeley Wash Assessment,** Hyphae Design Laboratory (2020)
https://berkeleyca.gov/sites/default/files/documents/Citywide%20Restroom%20Study%20and%20Executive%20Summary%20-%202020-10-06%20-%20Final.pdf

Public Restrooms a vital resource: "Why Are Public Restrooms Still So Rare", NY Times (March 22, 2023)
https://www.nytimes.com/2023/03/22/business/public-restrooms-bathrooms-us-city.html

Project Status	Capital Projects	Budget*	Construction				
Projects in Construction or have been awarded	Grove Park 2-5 and 5-12 Playgrounds and Sport Field	T1- $1.125M, Grant- $503K, CIP- $603K	Now				
	King Pool Tile, Electrical and Plaster	T1- $350K, CIP- $190K	Now				
	Ohlone 2-5, 5-12 Playgrounds, Mural Garden	T1- $500K, CIP- $391K	Now				
	Waterfront: Marina Finger Docks- Phase 4	MF- $550K	Now				
	Waterfront: Marina O and K Electrical Replacement	CIP- $870K, MF- $883K	Now				
	Waterfront: Key Fob System	MF- $100K	Now				
Projects Bidding /Construction in Spring-Summer 2023	Aquatic Park Dock Access/Parking Lot	PT- $640K	Spring 2023				
	Aquatic Park – West Side Irrigation and Tree Planting	Grant- $100K, Bayer- $260K	Summer 2023				
	Aquatic Park – Street and Landscaping renovation: Addison- Dreamland	PT- $357K CIP- $55k	Spring 2023				
	Echo Lake Camp ADA- Phase 1	CIP- $200K, Camps Fund- $705K	Summer 2023				
	Solano- Peralta Play Equipment/ Furniture	GF- $50K, CIP- $80K	Summer 2023				
	Tuolumne Camp EV Charging Stations	Cat Res- $350K	Spring 2023				
	Waterfront: Marina Pilling Replacements	T1- $1.2M, CIP- $1.85M, MF- $575K	Summer 2023				

Project Status	Capital Projects	Budget	Amount Spent to date Feb 2023	Amount Remaining	Anticipated Construction	Public-Facing	Public-Serving	Other Funding Besides T1	Significant Planning has Occurred
Construction Projects in Design/Planning	African American Holistic Resource Center	T1- $7M GF- $250K Grant- $1M	T1- $48K GF- $133K Grant- $0	T1- $6.95M GF- $117K Grant- $1M	FY25	x	x	x	
	Cedar Rose 2-5, 5-12 Play Structures	CIP- $400K PT- $875K	CIP- $0 PT- $0	CIP- $400K PT- $875K	FY24	x	x	x	
	Civic Center Upper Plaza -Turtle Island Project Improvements	T1- $300K Grant- $592K	T1- $84K Grant- $0	T1- $216K Grant- $592K	FY24	x	x	x	x
	Harrison Park Restroom Renovation	T1- $450K	T1 $0	T1- $450K	FY24	x	x		x
	MLK Jr. Youth Services Center/YAP Renovation	T1- $7M Grant- $1.2M Earmark- $750k	T1- $208K Grants- $47K Earmark- $0K	T1- $6.8M Grants- $1.9M Earmark- $750K	FY25	x	x	x	x
	Ohlone Park Lighting	T1- $700k	T1- $20K	T1- $680k	FY25	x	x		x
	Ohlone Park Restroom	T1- $500k	T1- $20K	T1- $480k	FY25	x	x		x
	Santa Fe ROW: Convert 4 blocks to New Park	Grant- $5M	Grant- $278K	Grant- $4.7M	FY25	x	x	x	x
	Tom Bates Restroom, Soccer Field, PB Courts	T1- $3.2M CIP- $1.5M	T1- $390K CIP- $0	T1- $2.8M CIP- $1.5M	FY24-FY25	x	x	x	x
	Waterfront: Cesar Chavez Park Restroom	T1- $445K	T1- $0	T1- $445K	FY25	x	x		
	Waterfront: Cesar Chavez Perimeter Pathway	SCC Grant- $2.1M	SCC Grant- $0	SCC Grant- $2.1M	FY26	x	x	x	
	Waterfront: DE Dock Replacement	T1- $595K MF- $5.5M SCC Grant- $1.6M	T1- $222K MF- $0 SCC Grant- $0	T1- $373K MF- $5.5M SCC Grant- $1.6M	FY25		x	x	x
	Waterfront: K Dock Restroom Renovation	T1- $495K	T1- $0	T1- $495K	FY25	x	x		
	Waterfront- Dredging Main Channel	MF- $300K SSC Grant- $7.4M	MF- $42K SSC Grant- $0	MF- $258K SSC Grant- $7.4M	FY25	x	x	x	x
	Waterfront- South Cove West Parking Lot	SCC Grant - $1M	SCC Grant- $0	SCC Grant- $1M	FY25	x	x	x	x
	Willard Clubhouse and Restroom	T1- $7M CIP- $500K	T1- $535K CIP- $0	T1- $6.46M CIP- $500K	FY24-FY25	x	x	x	x
Design/Planning Only Projects -Construction Not Funded	Aquatic Park Dreamland-2-12 Play Structure***	~~CIP $300k~~							
	Codornices Park 2-5 and 5-12 Play Structures***	~~PT $200k~~							
	Glendale - Laloma Park 2-5 and 5-12 Play Structures***	~~CIP $175k~~							
	James Kenney Park Skate Area	PT- $7K CIP- $40K	PT- $1K CIP- $17K	PT- $6K CIP- $23K		x	x	x	x
	John Hinkel Park Hut- Conceptual Design Only	PT- $151K	PT- $39K	PT- $112K		x	x	x	x
	Waterfront: Shorebird Park 2-12 Play Structure***	~~CIP $200k~~							
	Waterfront: Bike Park - Conceptual Design	CIP- $100K	CIP- $51K	CIP- $49K		x	x		x
	Waterfront- South Sailing Basin Dredging	CIP- $350K	CIP- $0	CIP- $350K		x	x		
	Waterfront: Waterfront Specific Plan-BMASP	CIP- $1.05MMF- $2K	CIP- $678K MF-$2K	CIP- $372K MF- $0		x	x	x	x
	Waterfront: Pier-Water Transportation EIR/Design	SCC Grant- $2.9M	SCC Grant- $0	SCC Grant- $2.9M		x	x	x	

*Funding Sources
Cat Res- Catastrophic Reserve
CIP- Capital Improvement Fund
GF- General Fund
MF- Marina Fund
PT- Parks Tax
SCC Grant- State Coast Conservancy Grant
T1- Measure T1, Phase 1 and 2

**in-kind contribution of $4M from Berkeley Commons Project.

***funding re-allocated because of increase in construction costs for existing projects.

Project Status	Capital Projects	Budget	Anticipated Construction	Public-Facing	Public-Serving	Matching Funds	Significant Planning has
Projects in Construction or have been awarded	Fire Station # Roof Upgrades	CIP-$422,245	now	.	X	.	X
	Corp Yard Lift Pits- Building G	CIP-$380,000	complete	.	X	.	X
	Fire Station #7 Fire Alarm CP Replacement	CIP-$27,452	FY23	.	X	.	X
	Old City Hall & Veteran's Building Leak Repair	GF-$68,000	complete	X	X	.	X
	WBSC HVAC Evaluation	CIP-$16,698	complete	.	X	.	X
	MHSC Roof Repair	CIP-$44,744	FY24	.	X	.	X
	1947 Center Street Bottle Fill Stations	CIP-$27,661	complete	.	X	.	X
	2180 Milvia Carpet Replacement-CCB Phase 2	CIP-$185,283	complete	.	X	.	X
	Civic Center Door Card Readers	CIP-$82,569	complete	.	X	.	X
	On Call HVAC Services	CIP-$42,186	complete	.	X	.	X
	Retaining Wall- 1322 Glendale Ave	CIP-$436,510	now	X	X	.	X
	Street Rehab FY 2021	CIP-$1,881,875 Meas BB-$2,300.00 Meas F-$155,000 Meas B-$1,000,000 SB1-$2,195,303	now	X	X	X	X
	Street Rehab FY 2022	CIP-$2,130,920 Meas BB-$2,700,000 Meas F-$155,000 SB1-$2,195,303	now	X	X	X	X
	Wildcat Canyon Emergency Repairs	CIP-$148,919		X	X	X	X
	Street Rehab FY 2023	CIP-$2,131,875 Meas BB-$2,980,000 Meas F-$155,000 CIP (PAVING FUNDS)-$3,250,000 SB1-$2,195,303	now	X	X	X	X
	FY20 Sidewalk Repair Program	CIP-$974,402 Meas F-$220,200 Meas BB-$1,279,800 SB1-$100,000 Private Party-$250,000	now	X	X	X	X
	Sidewalk Shaving- FY2020	CIP-$1,253,571 Meas F-$47,548 SB1-$399,800 Meas BB-$420,000	now	X	X	X	X
	UUD Grizzly Peak #48	CIP-$274,911 Streetlight-$47,342 GF-$949,256	now	X	X	X	X
	MLK Jr. Way Vision Zero Quick Build	CIP-$385,140 Meas F-$215,000 Streetlight-$129000 Meas BB-$567,000 Meas BB-B&P-$162,000	now	X	X	X	X
	University Ave Bus Stop Improvements	CIP-$200,000 Capital Grants-State-$500,285	now	X	X	X	X
	Ashby/San Pablo Traffic Improvements	CIP-$242,080 Meas F-$27,198 Meas BB-$825,422	now	X	X	X	X
	7th/ Anthony Traffic Signal Project	CIP-$82,559 Meas BB-$334,500	now	X	X	X	X
	Hopkins Street Corridor Project	CIP-$150,000-Tier 1	now	X	X	X	X
	BerkDOT	GF-$184,283	now	.	X	.	X
	Dwight and California Intersection Improvements	GF-$399,998 Meas BB-$348,478 CIP-$50,000	now	X	X	X	X

Project Status	Capital Projects	Budget			Anticipated Construction	Public-Facing	Public-Serving	Matching Funds	Significant Planning has
	Woolsey Street and Eton Ave Traffic Calming	CIP-$38,743	Meas B-$187,270		now	X	X	X	X
	Ashby-Newbury Traffic Calming	CIP-$50,000			now	X	X	.	X
	Southside Complete Streets	GF-$1,000,000 CIP- (paving funds) $4,987,860	Meas BB-$1,082,800 UC-$2,254,548	Capital Grants-Fed-$9,335,000	now	X	X	X	X
	T1 PH2 Pathway Repairs	GF-$99,897 CIP-$50,000	T1-$200,000		now	X	X	X	X
	1947 Center Street	T1-$1,800,000			now	X	X	X	X
	PW Corp Yard Improvements-Green Building	T1-$1,700,000			FY24	.	X	X	X
	PW Corp Yard Improvements-Deferred Maintenance	T1-$350,000			FY25	.	X	X	X
	PW Corp Yard Improvements-Building H	T1-$600,000			FY24	.	X	X	X
	Storm Drain Improvements-Marin/Spruce	T1-$600,000			now	X	X	X	X
	T1 PH2 Sidewalks Maintenance and Safety Repair	T1-$1,850,000			now	X	X	X	X
Projects Bidding /Construction in Spring-Summer 2023	NBSC Upgrades- Kitchen & Data	CIP-$202,683			FY24	X	X	.	X
	EV Charge Station	CIP-$600,000	GF-$1,750,000		FY 24	.	X	X	X
	Purchase of Electric Bikes	GF-$25,000			FY 23	.	X	.	X
	Street Rehabilitation PCI Improvement Project-FY23	CIP-$5,000,000			now	X	X	.	X
	Street Rehabilitation PCI Improvement Project-FY24	CIP-$9,100,000			Start of FY24	X	X	.	X
	Piedmont/Channing Traffic Circle	UC Settlement-$250,000			end of FY23	X	X	.	X
	T1 Phase 2--Hopkins Corridor Improvements	T1-$6,750,000 Meas BB-$2,160,000	Meas F-$625,000 CIP (Tier 1)-$150,000	CIP (Paving Funds)-$2,977,000	TBD	X	X	X	X
	Oxford & Telegraph/Channing Garage Restroom	T1-$406,350			FY24	X	X	X	X
	Restrooms in the ROW	T1-$1,610,000			FY23-FY25	X	X	X	X
	PW Corp Yard Improvements-Wash Station	T1-$200,000			FY24	.	X	X	X

Project Status	Capital Projects	Budget	Amount Spent to date Feb 2023	Amount Remaining		Public-Facing	Public-Serving	Matching Funds	Significant Planning has Occurred
	Retaining Wall & Storm Drain Repair	CIP- $335,000 Clean Storm-$322,791 SB1- $290,000	CIP- $48,790 Clean Storm-$30,000 SB1- $12,175	CIP- $286,210 Clean Storm-$292,791 SB1- $277,825	FY24	X	X	X	X
	Cameras in Public Right of Way	GF-$1,293,889	GF-$0.00	GF-$1,293,889	FY24	X	X		.
	Bus Canopies/Bulbouts-Durant Complete Streets	GF-$336,000			FY24	X	X	.	.
	Convert 62nd Street Between King Street, and Adeline Street into a cul de sac	CIP-$300,000			FY24	X	X	.	.
	Semi-Divert traffic bollards at the intersection of Newbury Street and Ashby Street	CIP-$50,000			FY24	X	X	.	.
	Implement State Law AB 43 for Reduced Speed Limits on High-Injury Commercial Corridors	CIP-$50,000			FY24	X	X	.	

Project Status	Capital Projects	Budget			Anticipated Construction	Public-Facing	Public-Serving	Matching Funds	Significant Planning has
Projects in Design/Planning	ADA Transposition Plan Update Implementation - FY 23 Allocation	CIP-$250,000			FY24	X	X	.	X
	ADA Transposition Plan Update Implementation - FY 24 Allocation	CIP-$500,000			FY25	X	X	.	X
	Facilities Deferred Maintenance Investment (Increase in baseline) - FY 23 Allocation	CIP-$250,000			FY24	X	X	.	X
	Facilities Deferred Maintenance Investment (Increase in baseline) - FY 24 Allocation	CIP-$500,000			FY25	X	X	.	X
	Building Assessment	CIP-$77,175			FY24	.	X	.	X
	Carpet Replacement	CIP-$150,000			FY24	.	X	.	X
	Evidence Storage	CIP-$36,750			FY24	.	X	.	X
	Public Safety Projects	CIP-$150,000			FY24	.	X	.	X
	Roof Replacement	CIP-$180,000			FY24	.	X	.	X
	Telegraph/Channing Elevator Upgrade	CIP-$3,600,000	Off Street Parking-$804,959		FY24	X	X	X	X
	EBCE Solar & Storage at Fire Station #3	CIP-$600,000			FY24-FY25	.	X	.	X
	Old City Hall Temporary Fire Sprinklers	CIP-$73,207			FY24	.	X	.	X
	PSB Cooling Redundancy	GF-$209,190			FY25	.	X	.	X
	STAIR Center ADA	CIP-$412,640			FY24	X	X	.	X
	Civic Center Vision & Imp Plan Phase 2	GF-$200,000			FY23	X	X	.	X
	Corp Yard Comprehensive Plan	CIP-$447,344			FY24	.	X	.	X
	PSB Bicycle Bunker Roof Repair	CIP-$179,962			FY24	.	X	.	X
	Street Rehab FY 2024	CIP-$2,127,562 Meas F-$155,000	Meas BB-$2,980,000 SB1-$2,195,303		FY24	X	X	X	X
	Emergency Power Supply Solar Batteries	T1-$400,000			FY25	.	X		X
	South Berkeley Senior Center	T1-$3,000,000			FY25-26	X	X		X
	Fire Station #2 Improvements	T1-$1,536,765			FY24-25	.	X		X
	Fire Station #6 Improvements	T1-$1,213,235			FY24-25	.	X		X
	Bollard Conversion to Landscaping	T1-$150,000			FY24	.	X		X
	Strawberry Creek Culverts Repairs	CIP-$250,000	Meas M-$926,720		FY24	X	X	X	X

ATTACHMENT 3C

Project Status	Capital Projects	Budget	Amount Spent to date Feb 2023	Amount Remaining	Anticipated Construction / Implementation	Public-Facing	Public-Serving	Other Funding Besides T1 and GF	Significant Planning has Occurred
Construction Projects in Design/Planning	Business Licensing System Replacement	CIP - $500k	$0	CIP - $500k		X	X		
	Jail Control Panel Replacement	CIP - $500k	$0	CIP - $500k	FY 2024	X	X		X
	Paperless Contract Workflow System	CIP - $400k	$0	CIP - $400k	FY 2024		X		X
	Property Tax Assessment System Replacement	CIP - $450k	$0	CIP - $450k		X	X		

ATTACHMENT 4

Measure T1 Phase 2 Project Status Matrix
Updated:04/13/2023

Category	Project Name/Description	Budgeted	Leverages other funds	Completed / Bidding / Encumbered	In Design	Apply Escalation?	Addl 15% Escalation	Possible to Reduce Scope?	Additional Funding Required	Public-Facing	Matching Funds	Significant Planning has Occurred	Notes
Care and Shelter and Non- Departmental Citywide Facilities	MLK Jr. Youth Services Center	7,000,000	$1.2M FEMA grant; $750k federal earmark		x	Yes	1,050,000	Yes	-	x	x	x	Conceptual design complete, headed to ZAB in late Summer. Additional funding available in PRW CIP FY25.
	South Berkeley Senior Center	3,000,000	$1.5M FEMA grant		x	Yes	450,000	Yes	-	x	x		Finalizing FEMA grant before design.
	African American Holistic Resource Center **	7,000,000	$1M federal earmark; $250k GF		x	Yes	1,050,000	No	See note*	x	x		4K and 6K sq ft building require additional $3.15M and $6.85M to complete.
	Restrooms in the ROW Telegraph/Channing	450,000	$260k UC settlement	x		No		No	-	x	x	x	Project bidding.
	Restrooms in the ROW San Pablo/University	450,000			x	Yes	67,500	No	67,500	x		x	At 50% design, location being identified.
	Restrooms in the ROW Alcatraz/Adeline	450,000			x	Yes	67,500	No	67,500	x		x	At 50% design, location being identified.
Camps	Cazadero Dining Hall & ADA Improvements	400,000	$800k from nonprofit tenant	x		No			-	-	-	-	Required by lease.
Buildings in Parks	Willard Clubhouse/Restroom Replacement	7,000,000	$500k of PRW CIP FY24; $175K Parks Tax		x	Yes	1,050,000	No		x	x	x	Scope already reduced. ZAB hearing scheduled in April.
	Tom Bates Restroom, Community Space, Soccer Field and PB Courts	2,900,000	$1.5M of PRW CIP FY24; $175K Parks Tax		x	Yes	435,000	Yes	-	x	x	x	At 35% design. $3M Grant application pending for parking lot and other amenities
	Harrison Park - Restroom Renovation	450,000			x	Yes	67,500	No	67,500	x		x	In conceptual design
	Ohlone Park - New Restroom	500,000			x	Yes	75,000	No	75,000	x		x	At 35% design, location and model determined.
Parks - Play structures	Ohlone (Milvia) Ages 2-5, 5-12, Garden Mural, Exercise	500,000	$558k Parks Tax	x		Yes	75,000	No	-	-	-	-	Contract awarded; gap covered by FY23 PRW CIP.
	John Hinkel Lower Ages 2-12, picnic, parking	408,510	$565k Parks Tax + $11k GF CIP	x		No			-	-	-	-	**Completed**
	Grove Park Ages play structures 2-5, 5-12 yrs old	700,000	$762k Parks Tax; $392k GF CIP; $503k Prop 68	x		Yes	105,000	No	-	-	-	-	Contract awarded; Gap covered by FY23 PRW CIP
Parks	Aquatic Park Tide Tubes Clean out, Phase 1B	206,490		x		No				-	-	-	**Completed**
	Ohlone Park - Lighting	700,000			x	Yes	105,000	Yes		x		x	At 35% design. In public process.
	Civic Center Park Upper Plaza Improvements - Turtle Island Monument	300,000	$596k Clean CA grant; $750K Parks Tax; Art Funding from Civic Arts Fund		x	Yes	45,000	No	See note*	x	x	x	LPC approval received March 2023. $880k needed to complete additional scope.
Pools	King Pool Tile and Plaster Replacement	350,000	$178k GF CIP	x		No				-	-	-	**Completed**
Waterfront	Marina Timber Piling Replacements	1,200,000	$300k MF; $1.7M GF	x		Yes	180,000	Yes		x	x	x	Project bidding.
	Marina D and E Dock Replacement	595,000	$5.5M DBAW loan (MF); $1.5M State earmark		x	Yes	89,250	No	89,250		x	x	At 60% design.
	Marina K Dock Restroom Renovation	495,000			x	Yes	74,250	No		x			In pre-design phase.
	Cesar Chavez Park - New Restroom (on Spinnaker)	445,000			x	Yes	66,750	No		x			In pre-design phase.
Streets	T1 Streets Contribution to Annual Street Paving Improvements	6,750,000			x	Yes	1,012,500	Yes	-	x	x	x	At 65% design.
	Bollard Conversion to Landscaping	150,000	Stormwater Fund, Parks Tax Fund		x	Yes	22,500	Yes	-	x			Not yet started-finding locations
Sidewalks	Sidewalks Maintenance & Safety Repairs	1,850,000	$250k (Multiple sources)	x		No		No		-	-	-	Project in construction.
Pathways	Pathway Repairs/Improvements	200,000	$50k Annual Sidewalk Prg		x	No	30,000	No		x	x	x	At 35% design.
Storm	Storm Drain Imprv - Marin/Virginia/Spruce/Hinkel	600,000		x		No				-	-	-	**Completed**
Facilities	1947 Center Street Improvements	1,800,000			x	Yes	270,000	No	270,000	x		x	HVAC component is at 35% design; seismic assessment to start by June 2023.

Measure T1 Phase 2 Project Status Matrix
Updated:04/13/2023

Category	Project Name/Description	Budgeted	Leverages other funds	Completed / Bidding / Encumbered	In Design	Apply Escalation?	Addl 15% Escalation	Possible to Reduce Scope?	Additional Funding Required	Public-Facing	Matching Funds	Significant Planning has Occurred	Notes
	Fire Station #2	1,536,765	FY24 PW ADA funds		x	Yes	217,500	No			x	x	At 50% design. PW CIP funding will fill gap
	Fire Station #6	1,213,235	FY24 PW ADA funds		x	Yes	181,985	No			x	x	At 35% design. PW CIP funding will fill gap
	Corporation Yard -Gate, Paving, Parking, Fuel Island	350,000			x	Yes	52,500	Yes					Not yet started.
	Corporation Yard - Wash Station Compliance	200,000			x	Yes	30,000	No					Not yet started.
	Corporation Yard - Green Room Lockers, Bathroom, Training Room, Floor, Cabinets - Building B	1,700,000		x	x	Yes	255,000	No	255,000			x	Design completed, project bidding.
	Corporation Yard - Storage Room - Roof Repair Bldg H	600,000			x	Yes	90,000	No	90,000			x	At 50% design.
	Telegraph Channing Garage Restroom	300,000			x	No		No		x		x	At 90% Design. Additional funding not needed.
	NBSC-Emergency Power Supply Solar Batteries	500,000			x	No		No					Additional funding not needed.
	Totals	**53,250,000**							**981,750**				**Additional Funding Required**
	Art	650,000							***Note:**				
	Staffing / FESS	7,100,000							**880,000**				**Gap - CC Turtle Island**
									350,000				**Gap-NBSC**
	Total Phase 2 Budget	**61,000,000**							**3,150,000**				**Gap-AAHRC 4,000 sq ft replacement**
									5,361,750				**Gap- Includes Escalation**
	COLOR KEY												
	● Projects that are completed or bidding or encumbered								**880,000**				**Gap - CC Turtle Island**
	● Projects that need escalation to complete								**350,000**				**Gap-NBSC**

Fiscal Year 2023
Second Amendment to Annual Appropriation Ordinance (AAO#2)

Budget and Finance Policy Committee

20 April 2023

FY23 AAO#2 ALL FUNDS SUMMARY

Fund Name	Recommended Carryover	Recommended Adjustments	Total
General Fund (011)	$100,000	$2,268,270	$2,368,270
Capital Improvement Fund (501)	0	1,885	1,885
All Other Funds	103,685	25,266,940	25,370,625
Total	**203,685**	**27,537,095**	**27,740,780**

- General Fund for unanticipated operational expenses and technical adjustment from AAO#1
- Other funds carryover to pay final invoices and continue projects underway
- Other funds adjustments primarily related to Housing Trust fund projects; HHSC programs, including SCU; capital projects and debt service

RECOMMENDED GENERAL FUND ADJUSTMENTS

Adjustment	Department and Description	Funding Amount
Elections Cost	City Clerk for November 2022	$375,831
Storm-Related Expenses	PRW for tree work related to storms	200,000
Eviction Moratorium Outreach	Rent Board for mailings on eviction moratorium	120,000
Staffing Assessment Augmentation	BPD for increased cost for staffing assessment related to Reimagining Public Safety	50,000
Subtotal		*745,831*
FY 22 Excess Equity Calculation to Reserves	Transfer FY 22 Excess Equity from AAO#1 to Reserves	1,522,439
Total New Adjustments		2,268,270
Homeless Outreach Coordinator	*HHSC **Carryover** for Coordinator*	100,000
Total Carryover+ Adjustments		2,368,270

CONCLUSION

- **Purpose:**
  - Review of Fiscal Year 2023 AAO#2 Adjustments
  - Technical adjustments and no funding for new programs/projects

- **Next Steps:**
  - First reading of AAO#2 at Council May 9 meeting

- **Questions and Responses**

Office of the City Manager

Action Calendar

Date: April 20, 2023

To: Budget and Finance Policy Committee

From: Dee Williams-Ridley, City Manager

Submitted by: Sharon Friedrichsen, Budget Manager

Subject: Amendment: FY 2023 Annual Appropriations Ordinance

RECOMMENDATION

Receive a report on the City's second amendment to the FY 2023 Annual Appropriations Ordinance and provide comment to staff prior to the report being submitted for the May 9, 2023 Council meeting.

FISCAL IMPACTS OF RECOMMENDATION

On June 28, 2022 the City Council adopted the FY 2023 Budget, authorizing gross appropriations of $754,176,624 and net appropriations of $625,939,999 (net of dual appropriations).

City Council approved the First Amendment to the FY 2023 Annual Appropriations Ordinance (AAO#1) on January 17, 2023, which increased the gross appropriations to $932,466,575 and net appropriations to $791,136,901. The amendment re-authorized some funding previously committed in FY 2022 and approved some new expenditures, including new grant fund appropriations.

This Second Amendment to the FY 2023 Annual Appropriations Ordinance (AAO#2) totals $27,740,780 (gross) and $29,458,924 (net) and increases gross appropriations to $960,207,355 and net appropriations to $820,595,825. The proposed changes are primarily unencumbered carryover and adjustments to continue and start capital projects and other City initiatives.

BACKGROUND

The Annual Appropriations Ordinance (AAO) establishes the expenditure limits by fund for FY 2023. Throughout the year, the City takes actions that amend the adopted budget. These may include, but are not limited to, the acceptance of new grants, revisions to existing grants, adjustments to adopted expenditure authority due to emergency needs, and transfers in accordance with Council's fiscal policies.

The adopted budget is also amended annually to reflect the re-appropriation of prior year funds for contractual commitments (i.e. encumbrances) as well as unencumbered carryover of unexpended funds previously authorized for one-time, non-recurring purposes. These budget modifications are periodically presented to the Council in the form of an Ordinance amending the Annual Appropriations Ordinance, which formally requires a two-thirds vote of the City Council.

When Council adopts an appropriations ordinance (budget), it is based on projected revenues and expenditures. If fund balances do not support the requested level of expenditures, no carryover is recommended.

The proposed changes, presented in their entirety in Exhibit A, are summarized as follows:

	Recommended Carryover	Recommended Adjustments	Total
General Fund (011)	$ 100,000	$ 2,268,270	$ 2,368,270
Capital Improvement Fund (501)	$ -	$ 1,885	$ 1,885
All Other Funds	$ 103,685	$ 25,266,940	$ 25,370,625
Total	**$ 203,685**	**$ 27,537,095**	**$ 27,740,780**

Below is a summary of the FY 2022 Unencumbered Carryover and the FY 2023 Adjustments for the City's General Fund and Other Funds.

General Fund: The General Fund includes recommended unencumbered carryover of $100,000 and recommended adjustments of $2,268,270 for the following items:

Recommended Carryover

- $100,000 for a FY 2022 Council Budget Referral for a Homeless Outreach Coordinator for South Shattuck Avenue and Adeline Street

Recommended Adjustments

- $375,831 for the City Clerk for the cost of the November 2022 election.
- $1,522,439 of FY 2022 Excess Equity allocation to fund the Strategic Reserve Fund ($837,341) and the Catastrophic Reserve Fund ($685,098).
- $200,000 for Parks, Recreation and Waterfront for tree work and removal caused by the recent storms.
- $50,000 of additional funding (to augment the existing $70,000 in funding for a total cost of $120,000) to the Police Department to study and assess police staffing to optimize police resources in responding to public safety needs.
- Reimagine Public Safety Task Force in early 2022, Council approved funding of $70,000 to study and assess police staffing and alternative responses
- $120,000 for the Rent Stabilization Board to carryout mailings and outreach for the Eviction Moratorium Transition and End.

All of the General Fund items listed above are being funded from the available FY 2022 General Fund Excess Equity balance.

Other Funds: Other City funds (including capital improvement project funds) total recommended carryover of $103,685 and recommended adjustments of $25,537,095 includes the following allocations:

Recommended Carryover

- $67,703 in Playground Camp Fund for the final invoice for the Cazadero Camp Landslide project.
- $9,266 in One Time Grant Fund for the continuation of the Pier Ferry Study.
- $19,996 in Measure T1 to pay invoices for the Fire Station #2 Improvements project.
- $6,618 in Marina Fund for continuation of the Pier Ferry Study project and the Sea Level Rise project.

Recommended Adjustments

- $2,167,500 in Measure U1 fund for the Berkeley Way, BFHP, and Hope Center contracts and to increase funding for the Housing Retention Program.
- $30,071 in Library Grants Fund for Lunch at the Library grant from California State Library.
- $50,000 in Library Fund for programming funds for appearance of UC Berkeley School of Law staff at Northbrae Church.
- $109,260 in Gilman Sports Field Fund for the Gilman Turf Replacement and increase in PG&E cost.
- $1,694,783 in Affordable Housing Mitigation Fund for Housing Trust Fund projects, St. Paul and Ephesian.
- $608,406 in Condo Conversion Program for Housing Trust Fund projects, Ephesian.
- $101,300 in Playground Camps Funds for the Cazadero Camp Landslide project, Berkeley Tuolumne Camp inventory cost, and for donation from the Friends of the Berkeley Tuolumne Camp.
- $118,000 in Measure B Local Streets and Road for continuation of the University Avenue Bus Stop project.
- $255,100 in Measure F – Alameda VRF for the HSIP Sacramento Pedestrian Crossing Safety project and MLK Jr Way Vision Zero Quick Build project.
- ($155,975) in Measure BB – Local Streets & Roads reversing appropriation in FY 2023 AAO#1 for the BeST Plan Update as funds are no longer needed.
- ($23,969) in Measure BB – Bike & Pedestrian reversing AAO#1 appropriation to adjust project budget for Woolsey-Fulton Bike Blvd. STI project.
- $139,569 in Measure BB – Paratransit for the Paratransit Program funding
- $313,573 in Parks Tax Funds for 600 Addison project, Ohlone Park Improvement project, NexGen Software Maintenance, bench donation, and increased water and electricity costs.
- $1,600,000 in Measure GG Funds for additional overtime budget to cover overtime expenses in FY 2023.
- $250,000 in UC Settlement Fund for Village of Love Community Agency funding.
- $6,853 in Tobacco Control for unexpended grant cycle.

- $46,060 in Capital Grants – State Fund for Milvia Bikeway project and reversing AAO#1 to adjust project budget of Woolsey-Fulton Bike Blvd. STI project.
- ($180,000) in Capital Grants – Local Fund to reverse AAO#1 to adjust the project budget for the Telegraph Study and Preliminary Engineering.
- $1,189,752 in HUD/HOME Fund to appropriate funding for the HOME Grant, the Grinnell project (formerly Blake Apartments).
- $300,000 in Housing Mitigation for the appropriation of the balance of the HESG-CARES Act.
- $14,091 in Health (General) Fund for Health grant budget adjustments.
- $18,500 in TCM/Link Fund for the projected cost of the FY 2023 Aging Target Case Management expenditures.
- $49,582 in Senior Nutrition (Title III) Fund for Congregate Meals and Meals on Wheels programs,
- $55,000 in C.F.P. Title X Fund for reproductive health and education program
- $24,555 in Senior Supportive Social Services Fund for Senior outreach and assistance.
- $51,033 in Family Care Support Program Fund for family caregiver program and Senior Center activities.
- $24,408 in Housing Mitigation Fund for Housing Trust Fund projects, Ephesian.
- $5,384,407 in One-Time Grant Funds for projects in Health, Housing & Community Services, Parks Recreation & Waterfront, Planning, and Public Works, that are listed as Item Numbers 49 - 57 in Attachment 2.
- $10,000 in Shelter+Care County Fund for Shelter Plus Care-Alameda County Housing Assistance payments.
- $52,64 in Bio-Terrorism Grant Fund for the Public Health Emergency Preparedness and Cities Readiness Initiative.
- $4,910,146 in ARPA Recovery Fund for the Specialized Care Unit, from Council Resolution No. 70,642-N.S.
- $1,885 in Capital Improvement Fund for remaining Resources for Community Development contract.
- $100,000 in Measure T1 Fund for the Ohlone Park Improvements project and Fire Station #2 Improvements project.
- $896,875 in Measure M – Street and Watershed Improvement Debt Service Fund for revision of debt service budget for FY 2023 to fully cover principal and interest payments.
- $2,759,200 in Measure T1 – Infrastructure and Facilities Debt Service Fund for revision of debt service budget for FY 2023 to fully cover principal and interest payments.
- $5,452,871 in Measure O Debt Service Fund for revision of debt service budget for FY 2023 to fully cover principal and interest payments.
- $91,200 in Marina Funds for a memorial bench and to cover utilities increases.
- $320,651 in CFD No. 1 Disaster Fire Protection Fund to help balance negative fund balance to Fund 779 as tax revenues are no longer collected.
- $300,000 in Tourism BID Fund for Visit Berkeley Contract based on projected revenues for FY 2023.

This report will be presented to the City Council at the May 9, 2023 meeting.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS
There are no identifiable environmental effects or opportunities associated with the act of adopting the budget/appropriations ordinance/amendments. Actions included in the budget will be developed and implemented in a manner that is consistent with the City's environmental sustainability goals and requirements.

CONCLUSION
The AAO#2 allows the City to amend the current FY 2023 Revised Budget and re-appropriate funds from FY 2022 to FY 2023 for contractual commitments that need to be paid and to increase appropriations for unbudgeted and unanticipated expenses. It revises the budget to reflect approved carryover requests and adjustments in both discretionary and non-discretionary funds.

Staff has conducted a detailed analysis of the individual carryover and other adjustment requests submitted by departments and is presenting carryover and other adjustment recommendations for projects that are either currently under contract, represent Council priorities, and/or are considered critical.

CONTACT PERSON
Sharon Friedrichsen, Budget Manager, City Manager's Office, 981-7000
Maricar Dupaya, Senior Management Analyst, City Manager's Office, 981-7000

Attachments:
1: Ordinance
    Exhibit A: Annual Appropriation Ordinance Summary of Appropriations by Fund
2: FY 2022 Recommended Carryover and FY 2023 Recommended Adjustment (AAO #2)

ORDINANCE NO. -N.S.

AMENDING THE ANNUAL APPROPRIATIONS ORDINANCE NO. 7,851–N.S. FOR FISCAL YEAR 2023

BE IT ORDAINED by the Council of the City of Berkeley as follows:

Section 1. That the Annual Appropriations Ordinance based on the budget for FY 2023 submitted by the City Manager and passed by the City Council be amended as follows and as summarized in Exhibit A:

A. General Fund (Funds 001-099)	316,240,491
B. Special Funds (Funds 100-199)	162,330,999
C. Grant Funds (Funds 300-399)	120,958,749
D. Capital Projects Funds (Funds 500-550)	91,787,730
E. Debt Service Fund (Funds 551-599)	15,044,847
F. Enterprise Funds (Funds 600-669)	178,216,604
G. Internal Service Funds (Funds 146, 670-699)	59,656,349
H. Successor Agency (Funds 760-769)	145,166
I. Agency Funds (Funds 771-799)	8,587,078
J. Other Funds (Funds 800-899)	7,239,344
K. Total	
Total General Fund	316,240,491
Add: Total Other Than General Fund	643,966,865
Gross Revenue Appropriated	**960,207,355**
Less: Dual Appropriations	-79,955,181
Less: Revolving/Internal Service Funds	-59,656,349
Net Revenue Appropriated	**820,595,825**

Section 2. The City Manager is hereby permitted, without further authority from the City Council, to make the following transfers by giving written notice to the Director of Finance:

a. From the General Fund to the General Fund – Stability Reserve Fund; Catastrophic Reserve Fund; Paramedic Tax Fund; Health State Aid Realignment; Fair Election Fund; Capital Improvement Fund; Phone System Replacement; Equipment Replacement Fund; Public Liability Fund; Catastrophic Loss Fund; Police Employee Retiree Health Assistance Plan; Safety Members Pension Fund; and Sick Leave Entitlement Fund.

b. To the General Fund from the General Fund – Stability Reserves Fund; Catastrophic Reserves Fund; Community Development Block Grant Fund; Street Lighting Assessment District Fund; Zero Waste Fund; Marina Operations and Maintenance Fund; Sanitary Sewer Operation Fund; Clean Storm Water Fund; Permit Service Center Fund; Parking Meter Fund; Unified Program (CUPA); IT Cost Allocation Fund; and Health State Aid Realignment Fund.

c. To the First Source Fund from the Parks Tax Fund; Capital Improvement Fund; and the Marina Fund.

d. From the Measure U1 Fund to the Workers' Compensation Fund

e. From the Catastrophic Reserve Fund to the Playground Camp Fund

f. From Gilman Sports Field Fund to Gilman Field Reserve Fund

g. From Measure FF Fund to Paramedic Tax Fund.

h. From the American Rescue Plan Fund to the General Fund; Sports Field Fund; Playground Camp Fund; Marina Fund; Off-Street Parking Fund; and Parking Meter Fund.

i. From Capital Improvement Fund to PERS Savings Fund; Berkeley Repertory Theater Fund; and 2010 COP (Animal Shelter) Fund.

j. To the Public Art Fund from the Parks Tax Fund; Capital Improvement Fund; and the Marina Fund.

k. To CFD#1 District Fire Protection Bond (Measure Q) from Special Tax Bonds CFD#1 ML-ROOS.

l. To Private Sewer Lateral Fund from Sanitary Sewer Operation Fund.

m. To Catastrophic Loss Fund from Permit Service Center Fund.

n. To Catastrophic Loss Fund from Unified Program (CUPA) Fund.

o. To the Building Purchases and Management Fund from General Fund; Health (General) Fund; Rental Housing Safety Program Fund; Measure B Local Streets & Road Fund; Employee Training Fund; Zero Waste Fund; Sanitary Sewer Operation Fund; Clean Storm Water Fund; Permit Service Center Fund; Off Street Parking Fund; Parking Meter Fund; Unified Program (CUPA) Fund; Building Purchases & Management Fund; Building Maintenance Fund; Central Services Fund; and Health State Aide Realignment Trust Fund.

p. To Equipment Replacement Fund from General Fund; Mental Health Services Act Fund; Health (Short/Doyle) Fund; Vector Control Fund; Paramedic Tax Fund; Playground Camp Fund; State Transportation Tax Fund; Rental Housing Safety

Program Fund; Parks Tax Fund; Street Light Assessment District Fund; Zero Waste Fund; Marina Operations/Maintenance Fund; Sanitary Sewer Operation Fund; Clean Storm Water Fund; Permit Service Center Fund; Parking Meter Fund; Equipment Maintenance Fund; Building Maintenance Fund; and Central Services Fund.

q. To the Equipment Maintenance Fund from General Fund; Health (General) Fund; Mental Health Services Act Fund; Health (Short/Doyle) Fund; Vector Control Fund; Paramedic Tax Fund; Library - Discretionary Fund; Playground Camp Fund; State Transportation Tax Fund; Rental Housing Safety Program Fund; Rent Stabilization Board Fund; Parks Ta Fund; Street Light Assessment District Fund; FEMA Fund; Zero Waste Fund; Marina Operations/Maintenance Fund; Sanitary Sewer Operation Fund; Clean Storm Water Fund; Permit Service Center Fund; Off Street Parking Fund; Parking Meter Fund; Equipment Maintenance Fund; Building Maintenance Fund; and Central Services Fund.

r. To the Building Maintenance Fund from the General Fund; Health (General) Fund; Health (Short/Doyle) Fund; Measure B Local Street & Road Fund; Parks Tax Fund; Street Light Assessment District Fund; Zero Waste Fund; Sanitary Sewer Operation Fund; Clean Storm Water Fund; Off Street Parking Fund; Parking Meter Fund; Equipment Maintenance Fund; Building Maintenance Fund; and Mental Health State Aid Realignment Fund.

s. To the Central Services Fund from the General Fund; First Source Fund; Health (Short/Doyle) Fund; Library-Discretionary Fund; Playground Camp Fund; Rent Stabilization Board Fund; Zero Waste Fund; Marina Operations/Maintenance Fund; Sanitary Sewer Operation; Building Purchases & Management Fund; Building Maintenance Fund; Central Services Fund; and Mental Health State Aid Realignment Fund.

t. To Information Technology Cost Allocation Plan Fund from General Fund; Target Case Management/Linkages Fund; Health (Short/Doyle); Library Fund; Playground Camp Fund; State Transportation Tax Fund; CDBG Fund; Rental Housing Safety Program; Rent Stabilization Board Fund; Parks Tax Fund; Street Light Assessment District Fund; Zero Waste Fund; Marina Operations/Maintenance Fund; Sanitary Sewer Operation; Clean Storm Water Fund; Permit Service Center Fund; Off Street Parking Fund; Parking Meter Fund; Unified Program (CUPA) Fund; Equipment Maintenance Fund; Building Maintenance Fund; Information Technology Cost Allocation Plan Fund; Health State Aid Realignment Trust Fund; and Mental Health State Aid Realignment Fund.

u. To the Workers' Compensation Self-Insurance Fund from General Fund; Special Tax for Severely Disabled Measure E Fund; First Source Fund; HUD Fund; ESGP Fund; Health (General) Fund; Target Case Management/Linkages Fund; Mental Health Service Act Fund; Health (Short/Doyle) Fund; EPSDT Expansion Proposal Fund; Senior Nutrition (Title III) Fund; C.F.P. Title X Fund; Fund Raising Activities Fund; Berkeley Unified School District Grant; Vector Control Fund; Paramedic Tax Fund; Alameda County Grants Fund; Senior Supportive Social Services Fund;

Family Care Support Program Fund; Domestic Violence Prevention – Vital Statistics Fund; Affordable Housing Mitigation; Inclusionary Housing Program; Library – Discretionary Fund; Playground Camp Fund; Community Action Program Fund; State Proposition 172 Public Safety Fund; State Transportation Tax Fund; CDBG Fund; Rental Housing Safety Program; Measure B Local State & Road Fund; Measure B Bike & Pedestrian Fund; Measure B – Paratransit Fund; Measure F Alameda County Vehicle Registration Fee Streets & Roads Fund; Measure BB – Paratransit Fund; Fair Election Fund; Measure U1 Fund; One-Time Grant: No Cap Expense Fund; Rent Stabilization Board Fund; Parks Tax Fund; Measure GG – Fire Prep Tax Fund; Street Lighting Assessment District Fund; Employee Training Fund; Private Percent – Art Fund; Measure T1 – Infrastructure & Facilities Fund; FUND$ Replacement Fund; Capital Improvement Fund; FEMA Fund; CFD #1 District Fire Protect Bond Fund; Special Tax Bonds CFD#1 ML-ROOS Fund; Shelter+Care HUD Fund; Shelter+Care County Fund; Zero Waste Fund; Marina Operations/Maintenance Fund; Sanitary Sewer Operation Fund; Clean Storm Water Fund; Private Sewer Lateral Fund; Permit Service Center Fund; Off-Street Parking Fund; Parking Meter Fund; Unified Program (CUPA) Fund; Building Purchases & Management Fund; Equipment Replacement Fund; Equipment Maintenance Fund; Building Maintenance Fund; Central Services Fund; Workers' Compensation Fund; Public Liability Fund; Information Technology Cost Allocation Plan Fund; Health State Aid Realignment Trust Fund; Tobacco Control Trust Fund; Mental Health State Aid Realignment Fund; Alameda Abandoned Vehicle Abatement Authority; and Bio-Terrorism Grant Fund.

v. To the Sick Leave and Vacation Leave Accrual Fund from General Fund; Special Tax for Severely Disabled Measure E Fund; First Source Fund; HUD Fund; ESGP Fund; Health (General) Fund; Target Case Management/Linkages Fund; Mental Health Service Act Fund; Health (Short/Doyle) Fund; EPSDT Expansion Proposal Fund; Senior Nutrition (Title III) Fund; C.F.P. Title X Fund; Fund Raising Activities Fund; Berkeley Unified School District Grant; Vector Control Fund; Paramedic Tax Fund; Alameda County Grants Fund; Senior Supportive Social Services Fund; Family Care Support Program Fund; Domestic Violence Prevention – Vital Statistics Fund; Affordable Housing Mitigation; Inclusionary Housing Program; Library – Discretionary Fund; Playground Camp Fund; Community Action Program Fund; State Proposition 172 Public Safety Fund; State Transportation Tax Fund; CDBG Fund; Rental Housing Safety Program; Measure B Local State & Road Fund; Measure B Bike & Pedestrian Fund; Measure B – Paratransit Fund; Measure F Alameda County Vehicle Registration Fee Streets & Roads Fund; Measure BB – Paratransit Fund; Fair Election Fund; Measure U1 Fund; One-Time Grant: No Cap Expense Fund; Rent Stabilization Board Fund; Parks Tax Fund; Measure GG – Fire Prep Tax Fund; Street Lighting Assessment District Fund; Employee Training Fund; Private Percent – Art Fund; Measure T1 – Infrastructure & Facilities Fund; FUND$ Replacement Fund; Capital Improvement Fund; FEMA Fund; CFD #1 District Fire Protect Bond Fund; Special Tax Bonds CFD#1 ML-ROOS Fund; Shelter+Care HUD Fund; Shelter+Care County Fund; Zero Waste Fund; Marina Operations/Maintenance Fund; Sanitary Sewer Operation Fund; Clean Storm Water Fund; Private Sewer Lateral Fund; Permit Service Center Fund; Off-Street Parking Fund; Parking Meter Fund; Unified Program (CUPA) Fund; Building Purchases & Management Fund; Equipment Replacement Fund; Equipment

Maintenance Fund; Building Maintenance Fund; Central Services Fund; Workers' Compensation Fund; Public Liability Fund; Information Technology Cost Allocation Plan Fund; Health State Aid Realignment Trust Fund; Tobacco Control Trust Fund; Mental Health State Aid Realignment Fund; Alameda Abandoned Vehicle Abatement Authority; and Bio-Terrorism Grant Fund.

w. To the Payroll Deduction Trust Fund from General Fund; Special Tax for Severely Disabled Measure E Fund; First Source Fund; HUD Fund; ESGP Fund; Health (General) Fund; Target Case Management/Linkages Fund; Mental Health Service Act Fund; Health (Short/Doyle) Fund; EPSDT Expansion Proposal Fund; Senior Nutrition (Title III) Fund; C.F.P. Title X Fund; Fund Raising Activities Fund; Berkeley Unified School District Grant; Vector Control Fund; Paramedic Tax Fund; Alameda County Grants Fund; Senior Supportive Social Services Fund; Family Care Support Program Fund; Domestic Violence Prevention – Vital Statistics Fund; Affordable Housing Mitigation; Inclusionary Housing Program; Library – Discretionary Fund; Playground Camp Fund; Community Action Program Fund; State Proposition 172 Public Safety Fund; State Transportation Tax Fund; CDBG Fund; Rental Housing Safety Program; Measure B Local State & Road Fund; Measure B Bike & Pedestrian Fund; Measure B – Paratransit Fund; Measure F Alameda County Vehicle Registration Fee Streets & Roads Fund; Measure BB – Paratransit Fund; Fair Election Fund; Measure U1 Fund; One-Time Grant: No Cap Expense Fund; Rent Stabilization Board Fund; Parks Tax Fund; Measure GG – Fire Prep Tax Fund; Street Lighting Assessment District Fund; Employee Training Fund; Private Percent – Art Fund; Measure T1 – Infrastructure & Facilities Fund; FUND$ Replacement Fund; Capital Improvement Fund; FEMA Fund; CFD #1 District Fire Protect Bond Fund; Special Tax Bonds CFD#1 ML-ROOS Fund; Shelter+Care HUD Fund; Shelter+Care County Fund; Zero Waste Fund; Marina Operations/Maintenance Fund; Sanitary Sewer Operation Fund; Clean Storm Water Fund; Private Sewer Lateral Fund; Permit Service Center Fund; Off-Street Parking Fund; Parking Meter Fund; Unified Program (CUPA) Fund; Building Purchases & Management Fund; Equipment Replacement Fund; Equipment Maintenance Fund; Building Maintenance Fund; Central Services Fund; Workers' Compensation Fund; Public Liability Fund; Information Technology Cost Allocation Plan Fund; Health State Aid Realignment Trust Fund; Tobacco Control Trust Fund; Mental Health State Aid Realignment Fund; Alameda Abandoned Vehicle Abatement Authority; and Bio-Terrorism Grant Fund.

<ins>Section 3.</ins> Copies of this Ordinance shall be posted for two days prior to adoption in the display case located near the walkway in front of Council Chambers, 2134 Martin Luther King Jr. Way. Within 15 days of adoption, copies of this Ordinance shall be filed at each branch of the Berkeley Public Library and the title shall be published in a newspaper of general circulation.

Attachment for Annual Appropriations Ordinance - Fiscal Year 2023

REVOLVING FUNDS/INTERNAL SERVICE FUNDS

Appropriations are identified with revolving and internal service funds. Such funds derive revenue by virtue of payment from other fund sources as benefits are received by such funds, and the total is reflected in the "Less Revolving Funds and Internal Service Funds" in item I. The funds are:

Employee Training Fund	949,429
Equipment Replacement Fund	11,947,462
Equipment Maintenance Fund	10,211,653
Building Maintenance Fund	5,045,988
Central Services Fund	413,953
Workers' Compensation Fund	6,488,740
Public Liability Fund	4,458,560
Information Technology Fund	20,140,564
Subtotal Revolving/Internal Service Funds	$ 59,656,349

DUAL APPROPRIATIONS - WORKING BUDGET

Dual appropriations are identified with revenues generated by one fund and transferred to another fund. Both funds are credited with the applicable revenue, and the total is reflected in the "Less Dual Appropriations" in item I. The dual appropriations are:

Transfers to the General Fund	
Indirect Cost Reimbursement	
CDBG Fund	176,194
Street Light Assessment District Fund	155,018
Zero Waste Fund	2,727,548
Marina Enterprise Fund	456,077
Sanitary Sewer Fund	1,354,004
Clean Storm Water Fund	311,321
Permit Service Center Fund	1,979,790
Unified Program (CUPA) Fund	88,337
Subtotal Transfers to General Fund:	$ 7,248,289

Transfer to Safety Members Pension Fund from General Fund	551,804
Transfer to Measure U1 Fund from General Fund	4,900,000
Transfer to Stability Reserve Fund from General Fund	3,025,000
Transfer to Catastrophic Reserve Fund from General Fund	2,475,000
Transfer to PERS Savings Fund from General Fund	2,000,000
Transfer to Health State Aid Realignment from General Fund	1,953,018
Transfer to Fair Election Fund from General Fund	505,002
Transfer to Capital Improvement Fund (CIP) from General Fund	19,000,905
Transfer to Phone System Replacement - VOIP from General Fund	449,408
Transfer to Equipment Replacement Fund from General Fund	1,081,699
Transfer to Public Liability Fund from General Fund	3,895,888
Transfer to Catastrophic Loss Fund from General Fund	5,025,184
Transfer to IT Cost Allocation Fund from General Fund	71,335
Transfer to Police Employee Retiree Health Assistance Plan from General Fund	400,136
Transfer to Sick Leave Entitlement Fund from General Fund	201,501
Transfer to Employee Training from GF-Payroll Deduction Trust	750,000
Transfer to General Fund from Health State Aid Realignment Fund	2,643,280
Transfer to Paramedic Tax Fund from Measure FF - Public Safety Fund	757,925
Transfer to General Fund from Amercian Rescue Plan Fund	12,271,612
Transfer to Paramedic Tax Fund from American Rescue Plan Fund	2,614,331
Transfer to Marina Fund from American Rescue Plan Fund	1,150,000
Transfer to Off-Street Parking Fund from American Rescue Plan Fund	200,000
Transfer to Parking Meter Fund from American Rescue Plan Fund	2,700,000
Transfer from CIP Fund to PERS Savings Fund	151,632
Transfer to Berkeley Repertory Theater Debt Service Fund from CIP Fund	499,802
Transfer from CIP Fund to 2010 COP (Animal Shelter) Fund	402,613
Transfer to Private Sewer Lateral Fund from Sewer Fund	90,501
Transfer to Catastrophic Loss Fund from Permit Service Center Fund	50,555
Transfer to Catastrophic Loss Fund from Unified Program (CUPA) Fund	5,082
Transfer to General Fund from Parking Meter Fund	1,742,288
Transfer to General Fund from IT Cost Allocation Fund	438,968
Transfer to CFD#1 ML-ROOS Fund from CFD No. 1 Disaster Fire Protection	320,651
Transfer to Special Tax Bonds CFD#1 ML-ROOS from CFD#1 District Fire Protect Bond (Measure Q)	0
Transfer to GF - Payroll Deduction Trust Fund from Sick Leave Entitlement Fund	273,854
Transfer to First Source Fund from Parks Tax Fund	6,675
Transfer to First Source Fund from Capital Improvement Fund	29,943
Transfer to First Source Fund from Marina Fund	2,625
Transfer to Public Art Fund from Parks Tax Fund	11,681
Transfer to Public Art Fund from Capital Improvement Fund	52,400
Transfer to Public Art Fund from Marina Fund	4,594
Subtotal Transfers to Other Funds:	72,706,892
Sub-Total Dual Appropriations	79,955,181
Grand Total Dual Appropriations	**139,611,530**

EXHIBIT A

SUMMARY OF APPROPRIATIONS BY FUND

ERMA Fund #	Fund	FY 2023 Revised #1	2nd AAO Reappropriations	2nd AAO Other Adjustments	2nd AAO Total Amend.	FY 2023 Revised #2
011	General Fund Discretionary	303,276,062	100,000	2,268,270	2,368,270	305,644,332
016	Measure U1 - Housing	7,828,658	-	2,167,500	2,167,500	9,996,158
017	Climate Equity Action	600,000	-	-	-	600,000
101	Library - Tax	25,106,980	-	-	-	25,106,980
103	Library - Grants	66,854	-	30,071	30,071	96,925
104	Library - Friends & Gift	150,208	-	-	-	150,208
105	Library - Foundation	200,000	-	50,000	50,000	250,000
106	Asset Forefeiture	201,000	-	-	-	201,000
107	Special Tax Measure E	1,590,735	-	-	-	1,590,735
108	First Source Fund	48,500	-	-	-	48,500
110	Sec 108 Loan Gty Asst.	587,612	-	-	-	587,612
111	Fund Raising Activities	111,073	-	-	-	111,073
113	Gilman Sports Field	328,920	-	109,260	109,260	438,180
115	Animal Shelter	63,005	-	-	-	63,005
116	Paramedic Tax	5,221,790	-	-	-	5,221,790
117	CA Energy	44,249	-	-	-	44,249
119	Domestic Violence Prev - Vit Stat	26,102	-	-	-	26,102
120	Affordable Housing Mitigation	7,174,616	-	1,694,783	1,694,783	8,869,399
121	Affordable Child Care	19,912	-	-	-	19,912
122	Inclusionary Housing Program	587,181	-	-	-	587,181
123	Condo Conversion	121,339	-	608,406	608,406	729,745
125	Playground Camp	9,924,791	67,703	101,300	169,003	10,093,794
126	State-Prop 172 Pub.Safety	1,198,563	-	-	-	1,198,563
127	State Transportation Tax	9,679,283	-	-	-	9,679,283
128	CDBG	7,093,765	-	-	-	7,093,765
129	Rental Housing Safety Program	1,990,846	-	-	-	1,990,846
130	Measure B - Local St & Road	1,496,473	-	118,000	118,000	1,614,473
131	Measure B - Bike and Pedestrian	189,813	-	-	-	189,813
132	Measure B - Paratransit	54,403	-	-	-	54,403
133	Measure F Alameda County VRF St & Rd	1,724,951	-	255,100	255,100	1,980,051
134	Measure BB - Local St & Road	19,539,112	-	(155,975)	(155,975)	19,383,137
135	Meaure BB - Bike & Pedestrian	2,234,162	-	(23,969)	(23,969)	2,210,193
136	Measure BB - Paratransit	953,349	-	139,569	139,569	1,092,918
137	Onetime FD	19,080	-	-	-	19,080
138	Parks Tax	18,974,506	-	313,573	313,573	19,288,079
140	Measure GG - Fire Prep Tax	5,509,760	-	1,600,000	1,600,000	7,109,760
142	Streetlight Assesment District	4,231,478	-	-	-	4,231,478
143	Berkeley Bus Ec Dev	586,414	-	-	-	586,414
145	Bayer	952	-	-	-	952
146	Employee Training	949,429	-	-	-	949,429
147	UC Settlement	6,442,870	-	250,000	250,000	6,692,870
148	Cultural Trust	1,072,975	-	-	-	1,072,975
149	Private Party Sidewalks	750,000	-	-	-	750,000
150	Public Art Fund	210,142	-	-	-	210,142
152	Vital & Health Statistics Trust Fund	74,903	-	-	-	74,903
156	Hlth State Aid Realign Trust	3,961,045	-	-	-	3,961,045
157	Tobacco Cont.Trust	379,256	-	6,853	6,853	386,109
158	Mental Health State Aid Realign	4,702,104	-	-	-	4,702,104
159	Citizens Option Public Safety Trust	525,193	-	-	-	525,193
161	Alameda Cty Abandoned Vehicle Abatement	137,256	-	-	-	137,256
164	Measure FF	11,347,938	-	-	-	11,347,938
165	Fair Elections	510,868	-	-	-	510,868
302	Operating Grants - State	7,011,050	-	-	-	7,011,050
305	Capital Grants - Federal	2,063,382	-	-	-	2,063,382
306	Capital Grants - State	10,627,045	-	46,060	46,060	10,673,105
307	Capital Grants - Local	3,182,863	-	(180,000)	(180,000)	3,002,863
309	OTS DUI Enforcement Education Prg.	317,060	-	-	-	317,060
310	HUD/Home	811,549	-	1,189,752	1,189,752	2,001,301
311	ESGP	617,433	-	300,000	300,000	917,433
312	Health (General)	3,518,552	-	14,091	14,091	3,532,643
313	Target Case Management Linkages	1,011,166	-	18,500	18,500	1,029,666
314	Alameda County Tay Tip	35,812	-	-	-	35,812
315	Mental Health Service Act	13,580,495	-	-	-	13,580,495
316	Health (Short/Doyle)	7,074,965	-	-	-	7,074,965
317	EPSDT Expansion Proposal	500,241	-	-	-	500,241
318	Alcoholic Bev Ctr OTS/UC	128,105	-	-	-	128,105
319	Youth Lunch	279,464	-	-	-	279,464

EXHIBIT A

SUMMARY OF APPROPRIATIONS BY FUND

ERMA Fund #	Fund	FY 2023 Revised #1	2nd AAO Reappropriations	2nd AAO Other Adjustments	2nd AAO Total Amend.	FY 2023 Revised #2
320	Sr. Nutrition Title III	146,787	-	49,582	49,582	196,369
321	CFP Title X	140,317	-	55,000	55,000	195,317
324	BUSD Grant	392,232	-	-	-	392,232
325	Vector Control	285,817	-	-	-	285,817
326	Alameda County Grants	791,346	-	-	-	791,346
327	Senior Supportive Social Services	124,403	-	24,555	24,555	148,958
328	Family Care Support Program	91,365	-	51,033	51,033	142,398
329	CA Integrated Waste Management	21,511			-	21,511
331	Housing Mitigation	1,605,883	-	24,408	24,408	1,630,291
333	CALHOME	363,100	-	-	-	363,100
334	Community Action	570,086	-	-	-	570,086
336	One-Time Grant: No Cap Exp	19,190,305	9,266	5,384,407	5,393,673	24,583,978
338	Bay Area Air Quality Management	117,000	-	-	-	117,000
339	MTC	812,548	-	-	-	812,548
340	FEMA	1,358,059	-	-	-	1,358,059
341	Alameda Cty Waste Mgt.	1,162,565	-	-	-	1,162,565
343	State Dept Conserv/Recylg	28,000	-	-	-	28,000
344	CALTRANS Grant	190,460	-	-	-	190,460
346	Safe Routes	9,757	-	-	-	9,757
347	Shelter+Care HUD	6,348,578	-	-	-	6,348,578
348	Shelter+Care County	886,153	-	10,000	10,000	896,153
349	JAG Grant	55,650	-	-	-	55,650
350	Bioterrorism Grant	930,941	-	52,641	52,641	983,582
351	UASI	1,345	-	-	-	1,345
354	ARPA - Local Fiscal Recovery Fund	22,615,918	-	4,910,146	4,910,146	27,526,064
501	Capital Improvement Fund	33,852,196	-	1,885	1,885	33,854,081
502	Phone System Replacement	478,794	-	-	-	478,794
503	FUND$ Replacement	4,862,196	-	-	-	4,862,196
504	PEG-Public, Education & Government	100,000	-	-	-	100,000
506	Meas M - Streets and Watershed Improvements	926,720	-	-	-	926,720
511	Measure T1 - Infra & Facil.	27,314,362	19,996	100,000	119,996	27,434,358
512	Measure O	24,131,581	-	-	-	24,131,581
552	09 Measure FF Debt Service	1,343,638	-	-	-	1,343,638
553	2015 GORBS	2,051,966	-	-	-	2,051,966
554	2012 Lease Revenue Bonds BJPFA	502,238	-	-	-	502,238
555	2015 GORBS - 2002 G.O. Refunding Bonds	379,561	-	-	-	379,561
556	2015 GORBS (2007, Series A)	142,865	-	-	-	142,865
557	2015 GORBS (2008 Measure I)	481,286	-	-	-	481,286
558	2010 COP (Animal Shelter)	406,991	-	-	-	406,991
559	Measure M GO Street & Water Imps	740,738	-	896,875	896,875	1,637,613
560	Infrastucture & Facilities Measure T1	1,731,181	-	2,759,200	2,759,200	4,490,381
561	Measure O - Housing Bonds	2,023,940	-	1,584,368	1,584,368	3,608,308
601	Zero Waste	60,533,186	-	-	-	60,533,186
607	Dept. of Boat and Waterways	49,000	102	-	102	49,102
608	Marina Operation	11,966,589	6,618	91,200	97,818	12,064,407
611	Sewer	50,218,051	-	-	-	50,218,051
612	Private Sewer Lateral FD	172,628	-	-	-	172,628
616	Clean Storm Water	7,407,571	-	-	-	7,407,571
621	Permit Service Center	24,052,454	-	-	-	24,052,454
622	Unified Program (CUPA)	929,413	-	-	-	929,413
627	Off Street Parking	7,447,713	-	-	-	7,447,713
631	Parking Meter	11,487,009	-	-	-	11,487,009
636	Building Purchases and Management	3,855,070	-	-	-	3,855,070
671	Equipment Replacement	11,947,462	-	-	-	11,947,462
672	Equipment Maintenance	10,211,653	-	-	-	10,211,653
673	Building Maintenance Fund	5,045,988	-	-	-	5,045,988
674	Central Services	413,953	-	-	-	413,953
676	Workers Compensation	6,488,740	-	-	-	6,488,740
678	Public Liability	4,458,560	-	-	-	4,458,560
680	Information Technology	20,140,564	-	-	-	20,140,564
722	RETMED IBE	1,445	-	-	-	1,445
723	RETMED LC1	14,704	-	-	-	14,704
724	RETMED Z1	1,467	-	-	-	1,467
725	RETMED Z26	6,053	-	-	-	6,053
726	RETMED 535	21,015	-	-	-	21,015
727	RETMED 790	19,839	-	-	-	19,839
731	POL EE RET	6,967	-	-	-	6,967

EXHIBIT A

SUMMARY OF APPROPRIATIONS BY FUND

ERMA Fund #	Fund	FY 2023 Revised #1	2nd AAO Reappropriations	2nd AAO Other Adjustments	2nd AAO Total Amend.	FY 2023 Revised #2
736	FIRE MEDIC	16,557	-	-	-	16,557
762	Successor Agency - Savo DSF	57,120	-	-	-	57,120
776	Thousand Oaks Underground	98,448	-	-	-	98,448
777	Measure H - School Tax	500,002	-	-	-	500,002
778	Measure Q - CFD#1 Dis. Fire Protect Bond	1,399,997	-	320,651	320,651	1,720,648
779	Spl Tax Bds. CFD#1 ML-ROOS	2,824,802	-	-	-	2,824,802
781	Berkeley Tourism BID	632,704	-	300,000	300,000	932,704
782	Elmwood Business Improvement District	63,519	-	-	-	63,519
783	Solano Ave BID	35,082	-	-	-	35,082
784	Telegraph Avenue Bus. Imp. District	583,315	-	-	-	583,315
785	North Shattuck BID	210,363	-	-	-	210,363
786	Downtown Berkeley Prop & Improv. District	1,618,196	-	-	-	1,618,196
801	Rent Board	7,239,344	-	-	-	7,239,344
	GROSS EXPENDITURE:	932,466,575	203,685	27,537,095	27,740,780	960,207,355
	Dual Appropriations	(81,673,325)	-	1,718,144	1,718,144	(79,955,181)
	Revolving & Internal Service Funds	(59,656,349)	-	-	-	(59,656,349)
	NET EXPENDITURE:	791,136,901	203,685	29,255,239	29,458,924	820,595,825

FY 2022 RECOMMENDED CARRYOVER AND FY 2023 RECOMMENDED ADJUSTMENT (AAO#2)

Attachment 2

Item #	Fund #	Fund Name	Department	Recommended Carryover	Recommended Adjustment	Project Number	Description/Project name	Mandated by Law	Authorized by Council	City Manager Request	Comments/Justification
1	011	General Fund	City Clerk	$0	$375,831		November 2022 Election Cost	X			Appropriate funding to cover the cost for the November 2022 election.
2	011	General Fund	Health, Housing & Community Services	$100,000	$0	HHOGFD2302	Homeless Outreach Coordinator			X	Appropriate funding for Homeless Outreach Coordinator, South Shattuck and Adeline
3	011	General Fund	Non-Departmental	$0	$1,522,439		Strategic Reserve Fund and Catastrophic Fund		X		Appropriate FY 2022 Excess Equity allocation to the Strategic Reserve Fund ($837,341) and to the Catastrophic Reserve Fund ($685,098)
4	011	General Fund	Parks, Recreation, and Waterfront	$0	$200,000	PRWEM23002	Storm Damage Tree Removal			X	Appropriate funding for the clean-up of the tree-related storm damage
5	011	General Fund	Police	$0	$50,000		Staffing Assessment			X	Appropriate additional funding from a Tier 1 item to study BPD staffing and make staffing recommendations to optimize police resources in our response to public safety needs in Berkeley
6	011	General Fund	Rent Stabilization Board	$0	$120,000		Outreach for Eviction Moratorium			X	Appropriate funding for the Rent Board to carryout mailings and outreach for the Eviction Moratorium Transition and End
	011 Total			**$100,000**	**$2,268,270**						
7	016	Measure U1	Health, Housing & Community Services	$0	$1,867,500		Berkeley Way, BFHP Hope Center TH			X	Appropriate funding for Berkeley Way, BFHP Hope Center TH, CT#32000250
8	016	Measure U1	Health, Housing & Community Services	$0	$300,000		Housing Retention Program			X	Increase Funding for Housing Retention Program, RESO# 70,700
	016 Total			**$0**	**$2,167,500**						
9	103	Library Grants	Library		$30,071	LB2327	FY 2023 Grant: Lunch at the Library				Appropriate funding from a grant from California State Library: Lunch at the Library
	103 Total			**$0**	**$30,071**						
10	105	Library Foundation	Library	$0	$50,000		Heather McGhee Appearance at North Branch				Programming funds for appearance by Heather McGhee and Savala Nolan of the UC Berkeley School of Law at Northbrae Church on May 23, 2023
	105 Total			**$0**	**$50,000**						
11	113	Gilman Sports Field	Parks, Recreation, and Waterfront	$0	$100,000		Gilman Turf Replacement			X	Add funding to increase Gilman Sports Field Fund for a transfer out to Gilman Turf Replacement

FY 2022 RECOMMENDED CARRYOVER AND FY 2023 RECOMMENDED ADJUSTMENT (AAO#2)

Attachment 2

Item #	Fund #	Fund Name	Department	Recommended Carryover	Recommended Adjustment	Project Number	Description/Project name	Mandated by Law	Authorized by Council	City Manager Request	Comments/Justification
12	113	Gilman Sports Field	Parks, Recreation, and Waterfront	$0	$9,260		PG&E Costs			X	Add funds to cover the projected increase in PGE costs
	113 Total			**$0**	**$109,260**						
13	120	Affordable Housing Mitigation	Health, Housing & Community Services	$0	$1,694,783		Housing Trust Fund Projects, St. Paul, Ephesian			X	Appropriate funding for the Housing Trust Fund Projects, St. Paul, Ephesian
	120 Total			**$0**	**$1,694,783**						
14	123	Condo Conversion Program	Health, Housing & Community Services	$0	$608,406		Housing Trust Fund Projects, Ephesian			X	Appropriate funding for the Housing Trust Fund Projects, Ephesian
	123 Total			**$0**	**$608,406**						
15	125	Playground Camp	Parks, Recreation, and Waterfront	$0	$96,300	PRWCP22001	BTC Start-up Costs			X	Add funds for Berkeley Tuolumne Camp Inventory
16	125	Playground Camp	Parks, Recreation, and Waterfront	$67,703	$0	PRWEM16004	Cazadero Camp Landslide			X	Carryover funds for the Cazadero Camp Landslide project to pay a final invoice
17	125	Playground Camp	Parks, Recreation, and Waterfront	$0	$5,000	PRWCP23002	FOBTC Tracking			X	Appropriate donation from the Friends of the Berkeley Tuolumne Camp
	125 Total			**$67,703**	**$101,300**						
18	130	Measure B - Local Streets and Roads	Public Works	$0	$118,000	PWTRCS2203	University Avenue Bus Stop			X	Appropriate additional funding for the continuation of the University Avenue Bus Stop project
	130 Total			**$0**	**$118,000**						
19	133	Measure F-ALA VRF	Public Works	$0	$40,000	PWTRBP2202	HSIP SACRAMENTO PED XING SAFETY ENH			X	Appropriate new funding for the HSIIP Sacramento Ped Xing Safety project
20	133	Measure F-ALA VRF	Public Works	$0	$215,100	PWTRBP2201	MLK JR WAY VISION ZERO QUICK BUILD			X	Appropriate additional funding for the continuation of the MLK Jr Way Vision Zero Quick Build project
	133 Total			**$0**	**$255,100**						
21	134	Measure BB - Local Streets & Roads	Public Works	$0	($155,975)	PWTRPL2202	BeST Plan Update			X	Reverse appropriation for the BeST Plan Update included in FY 2023 AAO #1 as funds are no longer needed.
	134 Total			**$0**	**($155,975)**						

FY 2022 RECOMMENDED CARRYOVER AND FY 2023 RECOMMENDED ADJUSTMENT (AAO#2) Attachment 2

Item #	Fund #	Fund Name	Department	Recommended Carryover	Recommended Adjustment	Project Number	Description/Project name	Mandated by Law	Authorized by Council	City Manager Request	Comments/Justification
22	135	Measure BB - Bike & Ped	Public Works	$0	($23,969)	PWTRBP2205	WOOLSEY-FULTON BIKE BLVD STI FUNDS			X	Reverse AAO#1 to adjust project budget of Woolsey-Fulton Bike Blvd STI project
	135 Total			**$0**	**($23,969)**						
23	136	Measure BB - Paratransit	Health, Housing & Community Services	$0	$139,569	HHAMBB2301	AG Paratransit Measure BB			X	Additional funds needed to cover increase in taxi script redemption costs and van ride costs and to cover expenses charged to Measure B - Paratransit Fund and reclassified to Measure BB - Paratransit Fund
	136 Total			**$0**	**$139,569**						
24	138	Parks Tax	Parks, Recreation, and Waterfront	$0	$100,000	PRWPK23001	600 Addison Project			X	Appropriate additional funding for the continuation of the 600 Addison project
25	138	Parks Tax	Parks, Recreation, and Waterfront	$0	$900		Bessemer Donation-Monkey Island			X	Appropriate funding from donation to the Monkey Island project
26	138	Parks Tax	Parks, Recreation, and Waterfront	$0	$88,545		EBMUD Costs			X	Add funds to cover projected increases in EBMUD costs
27	138	Parks Tax	Parks, Recreation, and Waterfront	$0	$50,477		NexGen Software Maintenance			X	Appropriate funding for NexGen software maintenance
28	138	Parks Tax	Parks, Recreation, and Waterfront	$0	$60,651	PRWPK20003	Ohlone Park Improvements			X	Appropriate funds for the Ohlone Park Improvement Project
29	138	Parks Tax	Parks, Recreation, and Waterfront	$0	$13,000		PG&E Costs			X	Add funds to cover the projected increase in PGE costs
	138 Total			**$0**	**$313,573**						
30	140	Measure GG	Fire	$0	$1,600,000		Fire Overtime			X	Estimated additional Overtime Budget needed to cover Overtime expenses in FY 2023
	140 Total			**$0**	**$1,600,000**						
31	147	UC Settlement	Health, Housing & Community Services	$0	$250,000		Village of Love			X	Appropriate funding for Village of Love Community Agency Funding
	147 Total			**$0**	**$250,000**						
32	157	Tobacco Control	Health, Housing & Community Services	$0	$6,853	HHPLLA2301	LLA - Tobacco State Tobacco			X	Approved additional allocation of unexpended carryover from previous Grant Cycle.

FY 2022 RECOMMENDED CARRYOVER AND FY 2023 RECOMMENDED ADJUSTMENT (AAO#2) Attachment 2

Item #	Fund #	Fund Name	Department	Recommended Carryover	Recommended Adjustment	Project Number	Description/Project name	Mandated by Law	Authorized by Council	City Manager Request	Comments/Justification
	157 Total			**$0**	**$6,853**						
33	306	Capital Grants - State	Public Works	$0	$100,119	PWTRBP1802	Milvia Bikeway Project			X	Appropriate grant funding for continuation of and payment of invoices for the Milvia Bikeway project.
34	306	Capital Grants - State	Public Works	$0	($54,059)	PWTRBP2205	WOOLSEY-FULTON BIKE BLVD STI FUNDS			X	Reverse AAO#1 to adjust project budget of Woolsey-Fulton Bike Blvd STI project
	306 Total			**$0**	**$46,060**						
35	307	Capital Grants - Local	Public Works	$0	($180,000)	PWTRCS2204	Telegraph Study & PE			X	Reverse AAO#1 to adjust project budget for Telegraph Study and PE
	307 Total			**$0**	**($180,000)**						
36	310	HUD/HOME	Health, Housing & Community Services	$0	$1,066,034		Blake Street Apartments		X		Add HOME Funds for the Blake Street Apartments project in place of other funding sources. All new funds being added, FY 2023 grant allocation and program income received.
37	310	HUD/HOME	Health, Housing & Community Services	$0	$123,718		HOME Grant-The Grinnell Project (formerly Blake Apts)			X	Appropriate funding for HOME Grant The Grinnell Project (formerly Blake Apts.)
	310 Total			**$0**	**$1,189,752**						
38	311	Housing Mitigation	Health, Housing & Community Services	$0	$300,000		ESG-CARES Act			X	Appropriate remaining balance of the HESG-CARES Act
	311 Total			**$0**	**$300,000**						
39	312	Health (General)	HHCS	$0	$10,825	HHOTBR2301	TB REAL-TIME ALLOTMENT GRANT			X	Allocation increased for FY23
40	312	Health (General)	HHCS	$0	$3,266	HHOTBR2303	TB U4U Y2 ALLOTMENT			X	Allocation for FY23
	312 Total			**$0**	**$14,091**						
41	313	TCM/Link	Health, Housing & Community Services	$0	$18,500	HHAMAA2301	AG MAA			X	Appropriate funding for the projected cost for the FY 2023 Aging Target Case Management expenditures
	313 Total			**$0**	**$18,500**						

FY 2022 RECOMMENDED CARRYOVER AND FY 2023 RECOMMENDED ADJUSTMENT (AAO#2) Attachment 2

Item #	Fund #	Fund Name	Department	Recommended Carryover	Recommended Adjustment	Project Number	Description/Project name	Mandated by Law	Authorized by Council	City Manager Request	Comments/Justification
42	320	SR. Nutrition (Title III)	Health, Housing & Community Services	$0	$17,998	HHACON2301	Congregate Meals			X	One time Only and ARPA increases
43	320	SR. Nutrition (Title III)	Health, Housing & Community Services	$0	$31,584	HHAMOW2301	Meals on Wheels			X	One time Only and ARPA increases
	320 Total			**$0**	**$49,582**						
44	321	CFP Title X	Health, Housing & Community Services	$0	$30,000	HHPTIX2402	Title X			X	Allocation for 3 months (April 2023 to June 2023)
45	321	CFP Title X	Health, Housing & Community Services	$0	$25,000	HHPTIX2303	Title X Telehealth Project			X	Appropriate grant funds for the Title X Telehealth Project that must be spent by March 31, 2023
	321 Total			**$0**	**$55,000**						
46	327	SR SUPPORTIVE SOCIAL SERV	Health, Housing & Community Services	$0	$24,555	HHAINA2301	Information and Assistance			X	One time Only and ARPA increases
	327 Total			**$0**	**$24,555**						
47	328	FAMILY CARE SUPPORT PROG	Health, Housing & Community Services	$0	$43,852	HHACAR2301	Family Caregiver			X	One time Only and ARPA increases
48	328	FAMILY CARE SUPPORT PROG	Health, Housing & Community Services	$0	$7,181	HHASRA2301	Senior Center Activities			X	ARPA increase
	328 Total			**$0**	**$51,033**						
49	331	Housing Mitigation	Health, Housing & Community Services	$0	$24,408		Housing Trust Fund Projects, Ephesian			X	Housing Trust Fund Projects, Ephesian
	331 Total			**$0**	**$24,408**						
50	336	One Time Grant: No Cap	Health, Housing & Community Services	$0	$304,095		ELC Expansion			X	Increase based on approved allocation
51	336	One Time Grant: No Cap	Health, Housing & Community Services	$0	$2,251,256		Project HomeKey			X	Appropriate funding to cover pass-through wire payment for project HomeKey from the State to Golden Bear Homes LP
52	336	One Time Grant: No Cap	Health, Housing & Community Services	$0	$430,000		Project HomeKey			X	Funds from the State of California Housing & Community Development Department for Project HomeKey passed through to the developer

FY 2022 RECOMMENDED CARRYOVER AND FY 2023 RECOMMENDED ADJUSTMENT (AAO#2)

Attachment 2

Item #	Fund #	Fund Name	Department	Recommended Carryover	Recommended Adjustment	Project Number	Description/Project name	Mandated by Law	Authorized by Council	City Manager Request	Comments/Justification
53	336	One Time Grant: No Cap	Health, Housing & Community Services	$0	$1,651,111	HHMSPMHS23	Special Project MHSSA			X	Appropriate remaining balance of Mental Health Services Oversight & Accountability Grant funds for mental health services for
54	336	One Time Grant: No Cap	Parks, Recreation, and Waterfront	$0	$503,328	PRWT119004	Grove Park Phase 2		X		Appropriate grant funding authorized by Council (Per Capital Grant Reso. No. 70,094-N.S., and RIRE Grant Reso. No. 70,095-N.S.) for the Grove Park Phase 2 capital project
55	336	One Time Grant: No Cap	Parks, Recreation, and Waterfront	$9,266	$0	PRWT119007	Pier Ferry Study Project			X	Carryover of funds for the Pier Ferry Study project
56	336	One Time Grant: No Cap	Planning & Development	$0	$69,037		ABAG/MTC Grant			X	Appropriate MTC/ABAG Grant to pay for a portion of a 3 year project based Senior Planner position to develop a specific plan for the San Pablo Avenue Priority
57	336	One Time Grant: No Cap	Planning & Development	$0	$10,000		EBCE Grant		X		Appropriate EBCE grant funding for Reach Code support authorized by Council through Resolution No. 69,629-N.S. dated 12/01/2020
58	336	One Time Grant: No Cap	Public Works	$0	$165,580		SB 1383 Local Assistance Grant Program			X	Appropriate CalRecycle SB 1383 Local Assistance Grant
	336 Total			**$9,266**	**$5,384,407**						
59	348	Shelter+Care County	Health, Housing & Community Services	$0	$10,000		Shelter Plus Care-County			X	Appropriate funding for Shelter Plus Care-Alameda County Housing Assistance Payments
	348 Total			**$0**	**$10,000**						
60	350	Bio-Terrorism Grant	Health, Housing & Community Services	$0	$1,267	HHPCRI2301	PH Cities Readiness Initiative			X	Revise grant budget to match approved allocation amount
61	350	Bio-Terrorism Grant	Health, Housing & Community Services	$0	$51,374	HHPHEP2301	PH Emergency Preparedness			X	Revise grant budget to match approved allocation amount
	350 Total			**$0**	**$52,641**						
62	354	ARPA Recovery	Health, Housing & Community Services	$0	$4,910,146	HHOARP2201	ARPA Specialized Care Unit Admin		X		Appropriate funding for the Specialized Care Unit Resolution No. 70,642-N.S.
	354 Total			**$0**	**$4,910,146**						
63	501	CIP Fund	Health, Housing & Community Services		$1,885		Housing Trust Fund - CIP Fund			X	Appropriate Housing Trust Fund - GF for remaining Resources for Community Development Contract. Res. No. 69,513-N.S.

FY 2022 RECOMMENDED CARRYOVER AND FY 2023 RECOMMENDED ADJUSTMENT (AAO#2)

Attachment 2

Item #	Fund #	Fund Name	Department	Recommended Carryover	Recommended Adjustment	Project Number	Description/Project name	Mandated by Law	Authorized by Council	City Manager Request	Comments/Justification
	501 Total			**$0**	**$1,885**						
64	511	Measure T1	Parks, Recreation, and Waterfront	$0	$100,000	PRWPK20003	Ohlone Park Improvements			X	Appropriate funds for the Ohlone Park Improvement Project
65	511	Measure T1	Public Works	$19,996	$0	PWT1CB2204	Fire Station #2 Improvements			X	Carryover funds for the Fire Station #2 Improvement Project to pay an outstanding invoice
	511 Total			**$19,996**	**$100,000**						
66	559	Measure M - Street and Watershed Improvements	Non-Departmental	$0	$896,875		Debt Service Budget			X	Revise debt service budget for FY 2023 to cover principal and interest payments
	559 Total			**$0**	**$896,875**						
67	560	Measure T1 - Infrastructure and Facilities	Non-Departmental	$0	$2,759,200		Debt Service Budget			X	Revise debt service budget for FY 2023 to cover principal and interest payments
	560 Total			**$0**	**$2,759,200**						
68	561	Measure O	Non-Departmental	$0	$1,584,368		Debt Service Budget			X	Revise debt service budget for FY 2023 to cover principal and interest payments
	561 Total			**$0**	**$1,584,368**						
69	607	Department of Boating & Waterways	Parks, Recreation, and Waterfront	$102	$0	PRWWF22010	DBW BSEE Grant			X	Carryover of DBAW Grant funds
	607 Total			**$102**	**$0**						
70	608	Marina Fund	Parks, Recreation, and Waterfront	$0	$3,400		Linda Lo Memorial Park Bench		X		Appropriate funds for a memorial bench in honor of Linda Loh.
71	608	Marina Fund	Parks, Recreation, and Waterfront	$0	$87,800		PG&E Costs			X	Add funds to cover the projected increase in PGE costs
72	608	Marina Fund	Parks, Recreation, and Waterfront	$1,075	$0	PRWT119007	Pier Ferry Study Project			X	Carryover of funds for the Pier Ferry Study project
73	608	Marina Fund	Parks, Recreation, and Waterfront	$5,543	$0	PRWWF19002	Sea Level Rise Project			X	Carryover of funds for the Sea Level Rise Project
	608 Total			**$6,618**	**$91,200**						

FY 2022 RECOMMENDED CARRYOVER AND FY 2023 RECOMMENDED ADJUSTMENT (AAO#2) **Attachment 2**

Item #	Fund #	Fund Name	Department	Recommended Carryover	Recommended Adjustment	Project Number	Description/Project name	Mandated by Law	Authorized by Council	City Manager Request	Comments/Justification
74	778	CFD No 1 Disaster Fire Prot	Non-Departmental	$0	$320,651		Interfund Transfer			X	Transfer funds back to Fund 779 to help balance negative fund balance as tax revenues are no longer being collected
	778 Total			**$0**	**$320,651**						
75	781	Berkeley Tourism Business Improvement District	City Manager's Office	$0	$300,000		Tourism BID Contract			X	Revise expenditure budget for Tourism BID contract with Visit Berkeley based on projected revenues for FY 2023
	781 Total			**$0**	**$300,000**						
	Grand Total			**$203,685**	**$27,537,095**						